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Towards an action-based perspective on firm competitiveness



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Abstract Existing theoretical frameworks typically revolve around sustainability of competitive advantage and attribute superior firm performance to its position in the industry structure and/or the possession of critical resources. However, the equilibrium-oriented logic implicit in these perspectives is not consonant with today's environment, characterized by more dynamic and complex behavior of markets and firms, which renders competitive advantages obsolete faster than ever. We propose an alternative action-based perspective on firm competitiveness one that revolves around the logic of action and emphasizes an entrepreneurial orientation and firm agility as the basis of firm competitiveness. This logic of action shifts the focus away from just industry position or resource possession and provides more scope for less advantaged firms to compete with the incumbents.

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What makes a firm competitive? This fundamental question has been at the heart of strategy research ever since its emergence as a distinct field of study. Broadly, strategy scholars have looked for either industry-based (Porter, 1980) or resource-based explanations (Barney, 1991) for firm competitiveness and, accordingly, sought to explain firms' performance and competitive advantage by examining either the attributes of the industry structure within which a firm is located or the attributes of critical firm resources. The question then arises: what about the 'average' firm with more prosaic resources, i.e., one that does not occupy a significant position in its industry space nor possesses some

strategically superior and rent-yielding resources relative to its rivals? Going by the more dominant theories, such firms do not have any visible or viable basis for competitive advantage. Yet, in many industries, such firms are not only present and co-exist with their more advantaged rivals but are often even able to challenge the dominance of some of the incumbents.

In this paper, we put forward and elaborate on an 'action-based' perspective (ABP) on competitiveness as an alternate lens and compare and contrast it with the industry- and resource-based perspectives. The former emphasizes favorable (industry) position as the source of competitive advantage whereas the latter emphasizes favorable possession of superior rent-yielding resources. Scholars (D'Aveni, 2010; McGrath, 2013; Priem and Butler, 2001) have begun to fault both these theories for their largely

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static orientation and equilibrium-oriented logic. Notably, today's more dynamic environment, characterized by constant uncertainty and hyper-competition, can rapidly render extant competitive advantages obsolete while simultaneously creating new competitive opportunities. In such a context, traditional notions of competitive advantage are slowly becoming outmoded as competitive advantage becomes more temporary and transient. In the ABP, in contrast, competition and competitiveness are driven by a more disequilibrium-oriented and dynamic logic. The ABP shifts the underlying emphasis toward firm agency and competitive agility.

In the remainder of the paper, we contrast the ABP with the other two perspectives and then draw out some of the implications.

Explaining competitiveness: position, possession and action logics

Since the arguments of the two dominant perspectives are well-known, we summarize them only briefly below.

Position-based competition

The influential work of Michael Porter (1980) leverages concepts of industrial organization to explain competitive advantage and represents the essence of the position perspective. From this lens, the firm seeks to occupy an attractive position within a particular industry's product-market space where it can earn monopolistic or oligopolistic rents. Thus, the firm engages in a systematic analysis of industry factors and deliberate planning prior to action, since competitive advantage is driven by firm's success in protecting/defending its position from potential entrants by virtue of entry/exit barriers.

Possession-based competition

The possession perspective is linked to the resource-based view, which attributes sustainable competitive advantage to the ownership of firm-specific resources. From this lens, the emphasis is on internal drivers and input factors that underlie firm competitiveness, instead of the external focus that is characteristic of the position perspective. It suggests that the firm deliberately emphasizes a particular set of factors/resources considered strategic – valuable, rare, inimitable and non-substitutable – as it builds the basis for competitive advantage (Barney, 1991). From the possession-based competition perspective, input factors can yield above-normal returns for as long as the firm is successful in maintaining their uniqueness. Therefore, barriers to imitation (an outcome of resource properties) and not barriers to entry (an outcome of structural attributes) define the nature of the competition. A derivative of the resource-based view underscores firm capabilities and shifts the focus from the resources managed by a firm to the firm's ability to manage the resources (Teece et al., 1997). Though somewhat distinct, it also suggests that factor market conditions and organization abilities are key determinants of performance differences among rival firms.

Though influential, the above theories have not been immune to criticism, particularly that of their rather limited and static view on competition. The monopolistic and Ricardian rents logic associated with the position and possession perspectives is (a) rooted in imperfections in product and factor markets respectively, (b) emphasizes structure and equilibrium and, consequently, (c) undervalues the importance of managerial agency and action in the context of disequilibrium. In line with their orientation, both perspectives tend to be inherently conservative in that advantaged firms are more concerned with preserving the source of their advantage, be it rooted in external or internal factors. With respect to the external factors, competitive advantage stemming from a favorable position can be sustained by various entry or mobility barriers. Likewise, focusing more on factor market attributes rather than industry structure attributes, the possession perspective highlights the significance of ownership of critical resources for competitive advantage, be it due to acquisition of the resource on more advantageous terms or their accumulation over time.

Action-based competition

In contrast to these above frameworks, an action-based perspective of competition (ABP) is more dynamic in nature and differs from the position and the possession views by its focus on action(s). Compared to the position and possession logics, where strategy tends to be more deliberate, in the ABP, with its action orientation, strategy and opportunities are created and/or enacted, for instance by spotting an opportunity earlier and seizing it ahead of others or by adapting in real time to environmental and technological shifts. Rather than industry or resource characteristics, the focus instead shifts more toward 'agility as strategy'. The ABP, therefore, provides the means as well as the explanation for a distinct kind of competitive behavior: one that is particularly suited to firms who are less established than the incumbents and who tend to face greater constraints since they often do not have the supposedly requisite foundation for success, such as technology or brand.

Action-based competition being a distinct way of competing, a comparison can help illustrate key differences between the key concepts underpinning the action-based perspective and existing theoretical frameworks commonly used to explain firm competitiveness. For instance, rather than the key question being that of which product-market or which resources/capabilities to focus on, the action-based perspective focuses more on the activities performed by firms to assemble such resources in ways that create value. In other words, rather than being product-market or factor-market driven, and correspondingly concerned with discontinuities in product-market or factor space respectively, the ABP is instead value-driven in that the opportunities sensed and acted upon must offer a novel value proposition to the customer. Here, unlike the external perspective of the positioning perspective or the internal focus of the possession perspective, the ABP is neither externally nor internally focused. The focus is instead on the chosen (set of) activities which constitute the firm's business model and span actions aimed at delivering value to customers. The way the firm organizes and coordinates its

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