

Competitive advantage: “The emperor has no clothes!”

Bogdan BĂCANU¹

Abstract: *The study is focused on a concept worth cornerstone of strategic management theory: competitive advantage. The trigger of this study is generated by the remarkable disparity between the pros and cons as to the significance of the concept. It starts from the research of the main aspects of the logic of defining the concept. It pointed out some dilemmatic aspects revealed by the few existing critics. Related to the main concept, it marked several key elements which question its status as a reference. These items are related to the nature of the competition and of the company in the current economy.*

Key-words: *competitive advantage, competition, strategic management*

1. Introduction about the image of a concept

Reading any current book on strategic management theory highlights the high frequency of use of the concept of “competitive advantage”. Concept ubiquity motivate, in a first phase, a more careful scrutiny of the quantitative aspects related to bibliographic sources paternity associated and means of dissemination of the concept. Assuming that the dissemination of the concept is due to its positive impact on the field of strategy, it remains to count the quantitative elements marking a contrary or dilemmatic opinion.

In the second phase of research, some substantive issues associated with the concept will be analysed. Their list would start with concept definition, will then explain the many direct links to other important definitions of strategic management, to immediate theoretical implications and direct consequences in practice. As lists of links and implications can be assumed to be quite large and significant, given the concept ubiquity in wide circulation texts, marking the initial focus on the essential elements would be sufficient to define the study.

The use of “competitive advantage” exploded in strategic management theory after 1985. It is the year of Michael Porter's book “Competitive Advantage” launching and after that the notion appears as an essential concept in strategy, associated with this author. In 1991 the status concept is reinforced by Jay Barney in

¹ Transilvania University of Braşov, b.bacanu@unitbv.ro

his article “Firm resources and sustained competitive advantage”. After this particular moment in time, the same author vulgarizes the concept by its using in textbooks titles.

A fast look at the number of citations listed by google academic for the two authors is relevant to mark the popularity of the concept. In a ranking based on the number of citations Porter ranks first with more than 260,000 citations (a huge difference from the second position in the category “strategy”), while Barney ranks the same position in the “strategic management” with nearly 100,000 citations. Of these, after a summary account, about half, meaning 130,000 plus 50,000 citations, are the ones associated of works that place the concept in their title.

It should be noted as a curiosity that the two names are considered to be representative of two different approaches to strategic management. Porter is the founder of so called “positioning school of strategic management”, while Barney is considered as the most representative author of “resource based view”.

Given the figures discussed and the authors’ positions, it should be said that any “good” claim linked to the competitive advantage is a truism and constructions based on it have the robustness, consistency and durability of Egyptian pyramids.

However, some sayings occur accidentally seemingly not perfectly aligned to general enthusiasm marked by the referred figures. This fact pushes the researcher to also assess the criticisms associated with the concept. Using again the citations counting, there are to be noticed merely a few critics that associate only a few dozen of citations (fewer than hundred), even if some critics publish in top ranked journals such as “Strategic Management Journal”. It should be also noted that studies which exposed some disagreed positions are accompanied immediately, sometimes in the same issue of the journal, by articles showing that these criticisms are inconsistent, unreasonable, etc. Equally obvious is that such critical studies are not popular for top ranked journals boards, which can be deducted from their alternative places used for final occurrence.

Such an approach of research is supplementary motivated by the emergence of additional books that explain what should be understood about the subject or about a well-known author reference. For example, Porter writes a study entitled “What is strategy?” (1996) and one of his collaborators, Anita McGahan, publishes with Nicholas Argyres, the study “Introduction: Michael Porter's competitive strategy”.

In this landscape with intangible names, a position as one expressed by Nobel Prize in economics, Paul Krugman, which questions the basic ideas of Porter expressed in his book “The competitive advantage of nations”, appears like an earthquake. Problem is that the earthquakes quickly pass, and their effects are resorbed ... It remains however to reflect on the critical approach of main concept, the more that appear to have the characteristics of a founding element.

It should be also noted, throughout the series of quantitative aspects, that books promoting the concept of competitive advantage present too many examples

focused on situations, companies and products, without much figures compared to the reference books of classics of economics, such as Adam Smith, Karl Mark or John Maynard Keynes. These new works, amongst which "Competitive advantage" is emblematic, fall into the category of standing up with names renowned bestsellers, loved by the American public.

2. Substantive issues of the concept "competitive advantage"

Previous quantitative findings justify a careful examination of the main idea of the concept, since it is used to generate essential definitions in the field. These definitions give a number of directions of research that focuses an impressive amount of resources, people, time and experiments. The fact emphasizes the interest previously identified, due to the quantitative aspects about the image of the concept.

In explanatory dictionaries the current definitions of the word advantage suggests a comparison, implicit or explicit. It refer to something "good" that helps to make something "better" or to a relative superiority, both requiring a reference.

Considering the definitions of the word advantage, the concept "competitive advantage" has a little pleonastic character, but we can accept that it emphasizes an explicit reference to a process suggesting a zero sum game.

The concept had an anodyne career before 1985, based on some ordinary definitions in relation to subsequent use. Many theoreticians of management or of the industrial economics have used it to explain different situations. For example, Sallenave (1973) (with only a few citations on google) defines the concept as a "disparity in resource use", with implicit reference to a competitor.

"Competitive advantage", the book published by Porter in 1985, generated the explosion in the use of the concept. The evolution is marked by the number of citations mentioned, but surprisingly acquires the characteristics of a founder concept in strategic management. This is because the respective author defines strategy as "the way to obtain a competitive advantage". This definition makes a discordant line with other definitions of well-known strategic management authors. In 1995, a new book of Porter, "Competitive advantage of nations", pinpoints the use of the concept to explain and justify the economic policy of the government.

The main ideas about the concept were outlined in Porter (1985). Some commentators felt that the introduction of the concept covers the errors related to Porter's (1980) prescriptions, errors highlighted by various empirical studies about so-called generic strategies. Although Porter discusses about strategies in his book in 1980, he stabilizes a clear definition of the strategy only in 1985 on the basis of the competitive advantage concept.

Seeing the immediate consequences of its use, those with analytical mind immediately seek definition in the work release it. In the first pages appear as definitions:

- “Competitive advantage is at the heart of the firm's performance in competitive markets.” (Porter, 1985: XV);

- “Competitive advantage grows fundamentally out of the value of the firm is able to create for its buyers that exceeds the firm's cost of creating it” (Porter, 1985).

Other sentences related to the concept, which would be considered as explanatory elements, does not exist. So expectations to clarify the definition of the concept are not met.

A closer look at the two sentences quoted reveals a number of other concepts questionable in terms of operational use: “value of the firm is able to create for its buyers” and “firm's cost of creating it (value)”, related to the first, and also “competitive markets”. The mention of the concept “competitive markets” is very strange, because Porter use the concept industry to define the arena for economic competition. It should be also pointed out that if the association of the concept performance with profitability appears to be tacitly accepted, the role of the profit in shaping a strategy remains to be discussed.

If in Porter's book the three lines is all the space given for the definition of competitive advantage, then a difficult question arises: the advantage is the consequence or the cause of performance? The advantage brings performance or the performance brings advantage? Rhetorical question is meant to show that what might be considered a definition of American author is just a pure tautology. The fact is underlined by Klein (2001).

Paradoxically definition and importance of the concept are taken up and amplified by Jay Barney, as adept and gradually the most important representative (as shown by the number of citations) of the resource based view (RBV). Barney (1991, 1997) strengthens the concept “sustainable competitive advantage” and argues that it is given by the organizational resources. The problem of definitions and of their use in practice became more complex, because the concepts and definitions for resource, competence and capability are problematic, as their relationship too. If this school of RBV, which is in competition with that of Porter, most of the studies is focused on explaining the role of resources, or specific groups of resources, so that interest settles de facto the problem of competitive advantage definition: it remains in suspension, in fact in the blurred form provided by Porter.

The sentences used by Porter as definitions generate a series of “technical analysis”, pro and against this variant of the concept. The label “technique” points out that this analysis does not cover aspects of ideological or political implications of the macroeconomic impact of the concept. After all, the number of citations of these analyses shows that their impact on the use of the term is insignificant. This result constitutes a warning to practitioners.

In this technical dispute associated with, Powell (2001) challenges the logical consistency of the concept, pointing also their philosophical blur. His study is then criticized by Durand (2002) and Arend (2003). Interestingly Durand (2002) argues that competitive advantage exists, but its relationship to performance has a more

complicated logic, that could be described by the INUS model. The INUS model means that something is "an Insufficient but Necessary part of a condition, which is itself Sufficient, but Unnecessary for the result" (INUS acronym was coined in 1965). In other words, the competitive advantage is a necessary but insufficient element, as part of a condition, - that is the organizational capability - which is unnecessary but sufficient to obtain a result, meaning a superior performance. Powell (2002, 2003) answer to his critics preserving the original line of his argument, but the consequences on the general use of the concept competitive advantage are imperceptible in the last decade.

In the well-known textbooks the problem of definition is avoided, as Johnson, Whittington and Scholes (2011) did. The number of those who use it without clarifying the concept, including academics, is extremely high (see number of citations), which is a very strange approach.

If the concept is discussed at the political level using the book "Competitive advantage of nations" (1995) as a basic reference work, then the technical problems associated with the definition add a great problem due to the consequences of ideological use of explanations and adjacent motivations. Aktouf, Chenoufi and Holford (2005) provides a devastating critique of the approach provided by the book, emphasizing that it is unacceptable to use the competitive advantage of a nation concept as a motivation for governmental politics.

Due to the fact that the book uses the concept in question in an ideological manner, all the technical dilemmas are amplified and the fragility of associated arguments has a devastating effect on the credibility of the concept. In other words, this approach builds the suspicion that an improper definition of competitive advantage was performed to generate a new form of ideology between countries. This ideology seems to be based on elements with scientific allure, but these foundations are inconsistent.

It is to be noted that in Romanian approaches of the domain (Drumea, 2004), related criticisms were expressed regarding the miraculous effect of using the concept of competitive advantage marked by a problematic and often inconsistent definition.

It is remarkable that the echoes of this critique were extremely low. The consequence is that management journals publishers seem to avoid this kind of study or publication of such opinions contrary to the current wave. Thus the space for reflection is artificially narrowed, as the positive impact of the use of a concept in practice.

It is interesting that this type of critiques has an important indirect support in Paul Krugman's opinions. However it seems that neither his criticisms are not enough to diminish the excessive consumption of a "product on the wave" in strategic management theory.

3. Some content problems of competitive advantage

Moving from logic and ontological aspects to the praxeology aspects of the concept, it should be noted that there is a first major dilemma which appears in Porter's reference books.

If "strategy is the way to obtain a competitive advantage" and the condition to succeed in a competition is to get an advantage, according to the book written in 1985, when seeking an industry where the competitive forces are smaller, according to the book written 1980, while other further opinions postulate that the "industry matters", we seem to face some relatively contradictory solutions.

The competitive advantage refers to competition and to the initial military use of the strategy concept. The problem is that, even assuming that it would consider the initial meaning of the concept coined by Greeks, the ultimate goal of war or competition is that the entity will survive. Porter (1980) wants to prove that a prerequisite (the author doesn't made, however, this statement) to success is choosing a less intense competition, possibly in an industry without competition. This view is supported by the monopole theory, adopted by the IE/IO.

Choosing an arena with a less intense competition is promoted, in the same Porter's bestseller style, by Brandenburger and Nalebuff (1997) or Kim and Mauborgne (2004).

Brandenburger and Nalebuff (1997) coined a new term, "co-opetition", to denote an intermediate stage between competition and cooperation. They find that it better reflects current realities of the business world, where imperfect competition is the rule, fact which requires some form of cooperation, including some State regulations.

Kim and Mauborgne (2004) launched the concept "blue ocean strategy", which supports the idea to search for new industries, where there is no competition. Associated theory is "fragile", but the idea can be used as an argument to create a gap in the theory of competition existence as a sine qua non condition for a strategy.

To complicate strategic judgments related to lead concept, a modern corporation, as a modern army, is a conglomerate of entities. Some of these entities could competitive interacts with a similar entity of another corporation. What is important from the perspective of the corporation, assuming that economic rationality is accepted, is the maximization of its market value. So the competitive logic discussed by Porter for a part of the corporation has to be replaced by a more complex approach. A corporation can sacrifice a part to achieve a positive economic or strategic effect of the whole and this move does not imply a comparison at the level of sacrificed entities.

As every corporation has its relative uniqueness, the competition and the comparison between corporations is similar to that of two sports teams: one practicing basketball and the second volleyball. Along this line, discussing about the

competitive advantage which would make reference to any confrontation between two players is nonsense because the result is taken into account only at teams' level.

At the end of the row of concepts associated competitive advantage is the concept performance. It is usually accepted that the performance refers to the company's profitability, and the company is in fact a quasi-autonomous strategic entity of a corporation. Many strategist analysts are questioning the relevance of such performance for long-term existence of corporations. Supplementary, the practical approaches of corporate performance could be very different depending on the specific cultural patterns of national environment. For example, the Japanese perceive the performance as reflected in the market share held.

If firms or corporations are in some way part of a national strategic plan in whose management the government is involved, such as companies from China, Russia or the European case of Airbus, the "size" of the concepts discussed changes significantly. They become more dilemmatic and dramatically increase the number of possible configurations, facts which completely devalues the importance of competitive advantage as it is explained now by strategic management theory.

4. Conclusions

The interest as a subject of research for competitive advantage concept is boosted by the impressive frequency with which it is mentioned in relation to strategy.

The intense use of the concept after 1980 appears as a fact that marks a discontinuity in relation to its "normal" existence in the theory of industrial economics. It is difficult to explain the consistency of the concept itself by the way it was centered on the concept of strategic management theory, by marking an absolutely inexplicable imbalance between supporters and critics. The imbalance appears to be the result of a huge marketing operation associated with a bestseller, as depicted before.

Based on this finding a detailed analysis of the definition was a necessary first step to explain how the articulation of the associated theory with the current strategic management. This analysis, based on the few existing critical remarks, said that the definition is inconsistent, with many problematic elements and improper for a consistent implementation of strategy.

Beyond the issue of definition formulation, reporting the concept to the reality of the current economic environment adds a number of additional challenges that emphasize its "fragility". The logic of competition has become more complex. The nature of entities that competes changed as a result of the new current corporation's "geometry" and of its new link with the State as regulator of competition.

Summarizing it should be stressed that the concept definition has major logical problems and reference elements used, directly or indirectly, has a questionable link with economic and political of a real worldwide corporation.

Despite this, it is thus evident from the examples mentioned and the number of citations associated with, that a “product” labelled in pure supermarket style has more credibility than some centennial industrial economics theories.

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