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Topic: **Competitive actions against rival firms in competition for the best resources from shared suppliers.**

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Abstract

Competing buying firms often share supplier networks. Therefore, to attain competitive advantages relative to rivals, buying firms should be able to attain better resources from shared suppliers than competing firms do. Although competition over resources has been addressed in literature, literature on the types of competitive actions and the effects of the external environment on the effectiveness of competitive actions is lacking. In this paper we develop a conceptual framework which defines the different types of competitive actions. This framework is building on the Resource Based View theory and the Factor Market Competition theory and also includes influences from buyer-supplier relationships and the resource allocation positions of competing firms. The framework categorizes competitive actions to have an offensive or defensive nature, based on the intention of creating or sustaining a firm's 'superior' resource position relative to rivals. The framework also recognizes the distinction between competitive actions initiated 'directly' against rivals and competitive actions initiated 'via' shared suppliers against rival firms. In this paper propositions are build on the framework characteristics. This paper sets the first step in building a theory on competitive actions buyer firms' initiate in competition for the best resources from shared suppliers.

Keywords: Resource competition, Shared suppliers, Resource allocation positions, Buyer-supplier relationships, Offensive/defensive competitive actions, Direct/in-direct competitive actions.

Contents

1 Introduction

1.1 What is the phenomenon?

Recent research illustrates that the success of a firm is increasingly depending on external resources that can be gained from suppliers or supplier networks (Cao & Zhang, 2011; Choi & Krause, 2006). Dyer and Hatch (2006) state that some buyers are able to obtain better resources from a supplier network than their competitors do, which indicates that these buyers can gain a competitive advantage over their competitors. Firms can obtain better resources from their supply base relative to rivals, despite a weaker power and/or dependency position compared to competitors (Dyer & Hatch, 2006). That is why buyers can gain competitive advantages (which might not be achieved without the suppliers) when suppliers provide resources like capabilities, technologies, innovative ideas (Koufteros, Vickery, & Dröge, 2001). As a response to these ´buyer-supplier relationships´ or 'alliances', competitors can initiate actions in two ways, (1) by trying to obtain the same competitive advantages by linking into the rival´s networks, or (2) by attaining similar benefits from different supplier partners by developing a countervailing network (Gimeno, 2004). This paper is about the competitive actions firms can initiate to influence rival firm resource positions in a shared supply base. Additionally, this paper illustrates the effects of differences in resource allocation positions of competing firms and buyer-supplier relationships on the effectiveness of these competitive actions.

1.2 What is the problem?

The (in) direct competitive actions between rival firms and the influence of the external environment on these competitive actions are the research topics of this paper. These competitive actions are aimed to influence rival firm resource allocation positions while sharing a supply base. Before firms initiate competitive actions, it is important to have a clear image of the environment and of possible threats and opportunities. Otherwise competitive actions might miss the intended goal or might even backfire. Those targets may be missed due to the fact that the intended targets are not clear or that the wrong type of competitive action is initiated. This could imply that a firm has a lack of knowledge on its external environment. To obtain a detailed description of the competing external environment, firms often use monitoring systems (Capron & Chatain, 2008). In this paper, the external environment solely consists of the rival firm's resource allocation positions and the firm's relationships with their shared suppliers. For the purpose of this paper we assume that resource allocation positions can be, (1) superior, (2) inferior, or (3) equal to rival firm resource allocation positions.

Current literature only partly covers the settings in which buying firms compete for the best resources of shared suppliers. However, literature on the types and effectiveness of competitive actions and the levels of resource allocation positions that are targeted is lacking.

1.3 What is missing in literature?

Current literature does not effectively define competitive actions aimed to influence rival firm resource positions in a shared supply base. Most research defines the relationship between buyers and suppliers and about how buying firms compete with one another via the suppliers (Gimeno, 2004; Pulles, Schiele, Veldman, & Hüttinger, 2013). Studies on competition for the best resource allocation position define concepts as ‘customer attractiveness’ (Christiansen & Maltz, 2002; Motensen & Arlbjorn, 2012) and ‘supplier satisfaction’ (Essig & Amman, 2009; Ghijsen, Semeijn, & Ernston, 2010). Authors like Takeishi (2002) and Dyer and Hatch (2006) state that some buyers are able to obtain better resources from a shared supply base than competing firms do. That means that the allocation of supplier resources to buying firm relationships is a selective process. Pulles, Schiele, Veldman and Hüttinger (2013) discuss the concept of the “preferred customer” which defines a buying firm to which better resources are allocated by a shared supplier than to a less preferred rival firm. Capron and Chatain (2008) for instance, elaborated on competition for supplier resources and established connections between product and factor markets. Although much research has been done concerning resource competition, literature on the types of competitive actions and the circumstances in which those actions ought to be most effective is lacking.

What is missing in current literature is a conceptual framework which defines the different types of competitive actions that firms can initiate and the effectiveness of those actions. Effectiveness of competitive actions which may be influenced by elements of the external environment. Elements like rival firms’ resource allocation positions and their buyer-supplier relationships. Capron and Chatain (2008), Mesquita and Anand (2008), and other authors that did research related to ‘competition for the suppliers resources’ do not or only partly define these competitive actions and influences between competing buyers. Building a new theory on competitive actions could help in improving the understanding on competition for the best resources. Eventually, building a new theory could also have practical implications such as possible improvements on the effectiveness of competitive actions. As mentioned earlier, in this paper we assumed a rival firm resource position to be superior, inferior, or equal relative to rival firms. Stating that obtaining a superior resource allocation position indicates a competitive advantage relative to an inferior resource position. That could imply that the effectiveness of different types of competitive actions and thereby possible competitive advantages may be influenced by the competing firm´s resource positions.

1.4 What is necessary to fill the missing gap in literature?

The goal of this paper is to identify competitive actions between competing buying firms in their struggle to attain competitive advantages by obtaining the best resource allocation position in a shared supply base. A conceptual framework will be formed, which will be build on the Resource Based View theory, the Factor Market Competition[1] theory, and influences from buyer-supplier relationships and competing firms resource positions. This framework will be useful for mapping the types of competitive actions between competing firms who share a supply base and will be a first step in building on a theory concerning competitive actions. To effectively define a conceptual framework and categorize the types of competitive actions, we answer the following question. “What kind of competitive actions can firms initiate to influence rival firm resource positions in a shared supply base?”

To be able to use this question as guideline for this paper, we define the types of competitive actions that firms can initiate. These definitions depend on the differences of resource allocation positions among competing firms that share a supply base. We state that competitive actions can be illustrated as ‘offensive’ and ‘defensive’. We define ‘offensive’

[1] Also known as Factor Market Rivalry

competitive actions as, “offensive competitive actions are aimed to improve a firm’s own resource allocation position or to degrade a rival firm resource allocation position”, and ‘defensive’ as, “defensive competitive actions are aimed to protect a firm’s resource allocation position from rival firm offensive competitive actions.”

To illustrate the possible routes via which competitive actions can be initiated, the types of competitive actions can be further categorized as direct and in-direct competitive actions. Direct competitive actions are defined as, “direct competitive actions are competitive actions which are initiated directly from a buying firm against a rival buying firm”. In-direct competitive actions however can be initiated via a ´detour´. We define those in-direct competitive actions as, “in-direct competitive actions are competitive actions which are initiated by a buying firm, targeting a rival firm, via a shared supplier”. For example, when a buying firm tries to influence the resource allocation position of a rival firm by influencing the shared suppliers, the firm can initiate a set of in-direct competitive actions”.

These definitions enable us to more clearly theorize the competitive actions buying firms can initiate in competition with rival firms. More specific, we build propositions on the level of competing firms’ resource allocation positions, buyer-supplier relationships, and the types of competitive actions.

This paper is structured as follows. Firstly, related literature on resources, on competitive advantages, and the resource related theories that are used in this paper will be covered. Secondly, the types of competitive actions between competing firms who share a supply base will be illustrated. Thirdly, based on the literature and the types of competitive actions, several propositions concerning competitive actions and the external environment will be built.

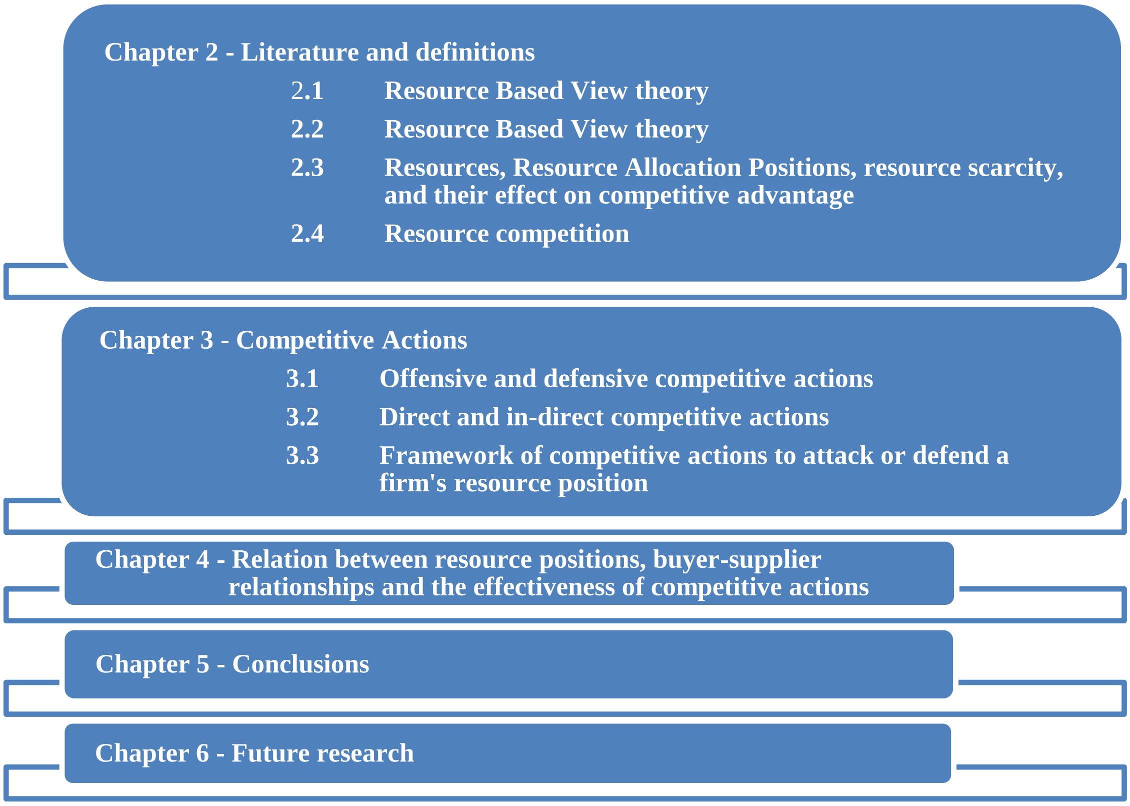


Figure 1: Paper body

2 Literature and definitions

This paper is not only about the competitive actions firms can initiate to influence rival firm resource positions in a shared supply base, but also about the role of competing firm's resource allocation positions and buyer-supplier relationships in effectively initiating these competitive actions. The foundation of this paper is formed by a conceptual framework which is based on the Resource Based View theory, the Factor Market Competition theory and influences from buyer-supplier relationships and competing firms' resource positions. This chapter includes the description of these theories along with the definitions of 'resources' and of 'competitive advantage' in the context of this paper.

2.1 Resource Based View theory

The Resource Based View (RBV) perspective underlines that firms should obtain better resources than their rivals to be competitive (Pulles & Schiele, 2013). When firms obtain a comparative advantage in access to resources, the firm will more easily obtain position of competitive advantage (Hunt & Davis, 2008).

The RBV framework underlines four types of theoretical conditions which forms the basis of the obtainment of competitive advantages: Resource heterogeneity, ex ante limits to competition, ex post limits to competition, or causal ambiguity and imperfect mobility (Jap, 2001). However, the RBV is evolving. Recent Resource Based View related literature is moreover addressing the question about how firms are able to obtain better resources than competing firms, which focuses on the main idea that firms should target the preferential resource allocation position (Steinle & Schiele, 2002). The 'classical' RBV focus was mainly on the internal resources of a firm or on the characteristics of relationships between buyers and suppliers. However, the RBV shifted to include resources that are located outside the firm's boundaries. By only considering the dyadic and intra-firm perspective, the actual resource competition between rival buying firms is effectively ignored (Crook & Esper, 2013). Firms can obtain competitive advantages if they are able to get privileged access to the external resources, in this case from suppliers (Pulles & Schiele, 2013). There is a limitation on the number of partners with which firms can share their 'best' resources. From the RBV perspective, a competitive advantage of a firm "can be understood as a function of the combined value and rarity of all firm resources and resource interactions" (Lavie, 2006, p. 643). The RBV evolved to a more dynamic perspective in which resources can be seen as entities which can be co-created and also exchanged between firms (Capron & Chatain, 2008; Dyer & Singh, 1998; Das & Teng, 2000). Co-creation and exchanging between firms is why the classical 'VRIN' attributes (Valuable, Rare, Inimitable, Nonsubstitutable) are no longer of importance. Due to an (still) increasing number of firms who attempt to seek resource exchange relationships in external environments, it is getting more difficult for firms to obtain an advantage over rivals acting in the same environment (supply base). "The Resource Based View states that external resources that provide firms a unique competitive position are, by definition, scarce" (Pulles & Schiele, 2013, p. 99). Because of this scarcity, it becomes increasingly difficult for firms to obtain competitive advantages when there is a large number of acting competing firms in a similar environment.

2.2 Factor Market Competition theory

Whereas the Resource Based View underlines that competitive advantage can be gained from resources that comply with the aspects of VRIN, the Factor Market Competition theory redirects the attention to mobile and versatile resources as resources of latent friction and hostility (Markman & Phan, 2011). Markman, Gianiodis and Buchholtz (2009) state that the Factor Market Competition theory explains and predicts how, why, and when competitive actions can occur at certain points in a firms value chain. That means that the Factor Market Competition theory also should be able to explain and predict competitive actions between buying firms who compete for resources while sharing the same supply base. Resource Based View clarifies why VRIN resources temper competition, and helps firms to strategically sustain competitive advantage which is why the Resource Based View can be seen as a defensive theory (Markman & Phan, 2011). Competitive dynamics however can be seen as a theory of offense. Namely because it explains that competitive actions evoke counterattacks from rival firms, which forms a vicious cycle, which in optimal form only attains temporary and unsustainable competitive advantage (Markman & Phan, 2011). Although developments in Resource Based View research offer useful insights, an exclusionary focus on VRIN resources overshadows how other resources could play a crucial role.

The Factor Market Competition theory indicates three scenarios concerning competition between firms (Ellram, Tate, & Feitzinger, 2013). The first scenario comes up when rival firms use similar types of external resources while competing in similar product markets. General Motors and Ford for example, share relationships with several suppliers in various rival geographic markets. Firms are often quite aware of (potential) competitors in product and input markets these firms are active in. Firms monitor competitors´ activities in strategic areas intensively and mutual tolerance is often an effective governance mechanism which can keep rivals behavior in line (Yu, Subramaniam, & Cannella, 2009). Competing firms keep themselves informed about competitive movements via in-direct sources like buyers but also directly through brochures, trade fairs, meetings, etc (Bengtsson & Kock, 2000). The second scenario for example, two buying firms are buying similar inputs and are also active in similar branches. Despite that, these firms are noncompetitive because the product markets do not significantly overlap (Ellram, Tate, & Feitzinger, 2013). When a firm changes or expands its product offerings based on perceived opportunities, competition between firms might arise. The third and last scenario might occur in situations where firms do not produce similar products nor compete in similar markets, but do use similar external resources (Ellram, Tate, & Feitzinger, 2013). In this case there is only rivalry in the factor market and is quite difficult for firms to anticipate. The last two types of rivalry are most relevant in this paper due to the fact that the firms compete in the factor market for similar external resources.

2.3 Resources, Resource Allocation Positions, resource scarcity, and their effect on competitive advantage

Wernerfelt (1984) states that resources ought to be categorized as tangible or intangible assets which are (semi)permanently tied to the firm. Resources are defined as the tangible or intangible financial, human, intellectual, organizational, and physical assets available to the organization which enables a firm to increase its competitive advantage (Wernerfelt, 1984; Hunt & Davis, 2008). These improvements of competitive advantages are due to the ability of a firm to conceive and implement strategies based on the resources that improve its effectiveness and efficiency (Daft, 1983; Barney, 1991; Daft, 2009). Resources can be internally and/or externally available to a firm and can be both of importance in obtaining or sustaining a competitive advantage. Resource allocation positions consist of external resources gained from supplying firms (Capron & Chatain, 2008). In the context of this paper, the definition of resources is, “resources are tangible or intangible financial, human, intellectual, organizational, and physical assets that are externally available to a firm”.

Competitive advantage introduces the concept of the value chain, which forms a general blueprint for strategic operating on activities firms are involved in considering relative costs and role in differentiation (Porter, 1985). Competitive advantages can be gained in opposition to rival firms by attaining the best resources from a shared supplier. A competitive advantage can be obtained by realizing the right resources such as ideas, new technologies, experienced personnel and materials or products (Chatain, 2012). When firms comply in a resource exchange relationship, firms allocate tangible and/or intangible resources to the relationship from which the partner firm derives advantage (Pulles & Schiele, 2013). In this paper, based on our definition of resources, a competitive advantage in a supply context will be defined as “competitive advantages are strategic benefits that are gained from obtaining better external resources from shared suppliers than competing firms do”.

Resources that are externally available to a firm are likely to be subject to influences from the external environment. An example of an external resource environment is a supply base in which buying firms aim to achieve a good resource allocation position to attain better resources than competing firms that source from a shared supply base do (Steinle & Schiele, 2008; Pulles & Schiele, 2013). Dyer and Hatch (2006, p. 703) state that it would be “extremely difficult” for buying firms to obtain competitive advantages through their supply base if buying firms are in rivalry for the best resources transferring from a shared supply base. Despite firms sharing the same supply base and the same industrial background, firms treat competing customers differently (Crook & Esper, 2013). Takeishi (2002, p. 328) for example, states that some buyers attained better resource allocation positions than competing firms “although they all outsourced to the same supplier”. From this it can be argued that the resource position to which the best resources are allocated is ‘superior’ to other resource positions. In fact, in the context of this paper, we categorize a firm’s resource allocation position to be (1) superior, (2) inferior, or (3) equal to rival firm resource allocation positions. When a buying firm attains such a ‘superior’ resource position due to its relationship or alliance with its suppliers, it is likely that they are more willing to invest in each other, which leads to trust and commitment to their relationship (Nyaga, Whipple, & Lynch, 2010; Baxter, 2012). However, many collaborative relationships or alliances do not live up to the firms’ expectations (Frankel, Goldsby, & Whipple, 2002). This is because critical details on successful partnerships are often overlooked. Critical details such as selecting the right partner firm, defining clear targets and goals, and matching inter organizational needs and capabilities (Daugherty, et al., 2006). From this it can be argued that a superior or inferior resource allocation position is not necessarily caused by (only) the effectiveness of buyer-supplier relationships. For the purposes of this paper, a firm’s influence on the shared suppliers, also affects a rival firm influence on the shared supplier. An environment, in which a firm has major influence on its suppliers, indicates that the rival firm has only a minor influence on the shared suppliers.

When buying firms manage to perform at a superior level through superior resource allocation from their supply base, rival firms will attempt to act on that advantage by engaging in similar resource allocation relationships and by degrading the resource allocation positions of their rivals (Hunt & Davis, 2008; Capron & Chatain, 2008). These are typical elements of Factor Market Competition. For the amount of resources an actor can transfer is limited, the expectations of the number of relationships which can be satisfied are limited as well. Suppliers can only share their newest innovations and technologies, ideas, experienced personnel or scarce materials with a limited number of relationships. That means that choices have to be made, which will include relationships but also exclude others (Gulati, Nohria, & Zaheer, 2000). Due to this scarcity of resources, buying firms compete fiercely with their rivals to obtain the limited (unique) resources. In an intense competitive environment, buying firms who share the same supply base initiate a wide variety of strategies and actions to degrade the rival's resource position or to improve their own (Grimm & Smith, 1997; Capron & Chatain, 2008).

2.4 Resource competition

Because a firm with a competitive advantage has added value in opposition to its rivals, there is also a potential for profit. Ghemawat and Rivkin (2006) state that added value highlights the fact that competitive advantage is merely derived from scarcity. As stated, this scarcity is formed by the limitation of resources suppliers transfer to buying firms. That limitation is exactly what buying firms are competing for and also influences the level of competition between rival firms. Competitiveness in a supply base with scarcity of the best resources will lead to much more intense competition than when resources are aplenty. Resource scarcity is therefore one of the most important motives for intense competition (Ghemawat & Rivkin, 2006). The focus in this chapter is on the offensive and defensive actions buying firms undertake to compete with rival firms on obtaining and sustaining resources from a shared supply base to ensure competitive advantages.

Capron and Chatain (2008) state that firms with strong power positions can attain the best resources, but supplier resource allocation positions also ought to be influenced by a firm's relative bargaining power (Porter M. , 1980). These resource allocation positions however are not only influenced by power position, but also other aspects need to be taken into account. Buying firms for example can attain better resources than competitors even when firms have a weaker bargaining position (Dyer & Hatch, 2006; Koufteros, Vickery, & Dröge, 2001). Dyer and Hatch (2006) illustrate that in the 1990s, Toyota tried to meet local content requirements in the U.S. market by transferring a great deal of its car production to the U.S. By doing so, Toyota entered a supply base in the U.S. in which several competitors were already active. Due to smaller production volumes, Toyota entered the U.S. market with weaker bargaining power than the U.S. competitors. Despite that relative weaker bargaining position, Toyota was still able to gain competitive advantages by retrieving resources from a supply base that was shared with competing firms. Question is, what did Toyota do to attain these competitive advantages in a highly competitive environment? Toyota was apparently able, despite its weak bargaining power, to positively influence its supply resource allocation position which led to the firm's competitive advantage. Instead of initiating direct offensive competitive actions against competing automobile firms, Toyota improved their resource allocation position via indirect offensive competitive actions. While Toyota shared the same supply base with competing firms, Toyota managed to improve the resource allocation position by sharing its knowledge with the suppliers. By doing so, their joint performance improved (Dyer & Hatch, 2006). By transferring assets as technology and knowledge to the suppliers, the productivity of the supplier network improved which led to improvement of Toyota products and performances.

3 Competitive Actions

Firms competing for the best resources in a shared supply base can initiate sets of offensive and defensive competitive actions to influence each other’s resource allocation position. However, firms need to know what kind of competitive actions should be initiated to attack or defend its resource allocation position. For the purpose of this paper, we argued that resource allocation positions are known and can be, (1) superior, (2) inferior, or (3) equal to rival firm resource allocation positions. However, in this paper we focus on superior and inferior resource positions. This chapter describes the kind of offensive and defensive competitive actions firms can initiate depending on differences in resource allocation positions.

3.1 Offensive and defensive competitive actions

Considering competitive advantages, a distinction has to be made between, (1)‘creating’ competitive advantage at a certain point in time and, (2) ‘sustaining’ these advantages over a time period (Ghemawat & Rivkin, 2006; Singh, 2006). We argue that these two stages of obtaining and sustaining competitive advantages are very different concerning the competitive actions a buying firm can take. When a buying firm possesses a ‘superior’ resource allocation position, it is likely that a rival firm will initiate a set of ‘offensive’ competitive actions to improve its own or to degrade the rival firms’ resource allocation position. By doing so, this rival firm attempts to obtain competitive advantages over its rivals. On the other hand, when a buying firm tries to maintain its current position in a shared supply base due to a rivals ‘inferior’ resource allocation position, the buying firm can initiate a set of ‘defensive’ competitive actions with such intend that offensive actions from rival firms can be blocked. We defined ‘offensive’ competitive actions as, “*offensive competitive actions are competitive actions aimed to improve either a firm’s own resource allocation position or to degrade a rival firm resource allocation position”*, while we defined ‘defensive’ as, *“defensive competitive actions are competitive actions aimed to protect a firm’s own resource allocation position from rival firm’s offensive competitive actions”.*

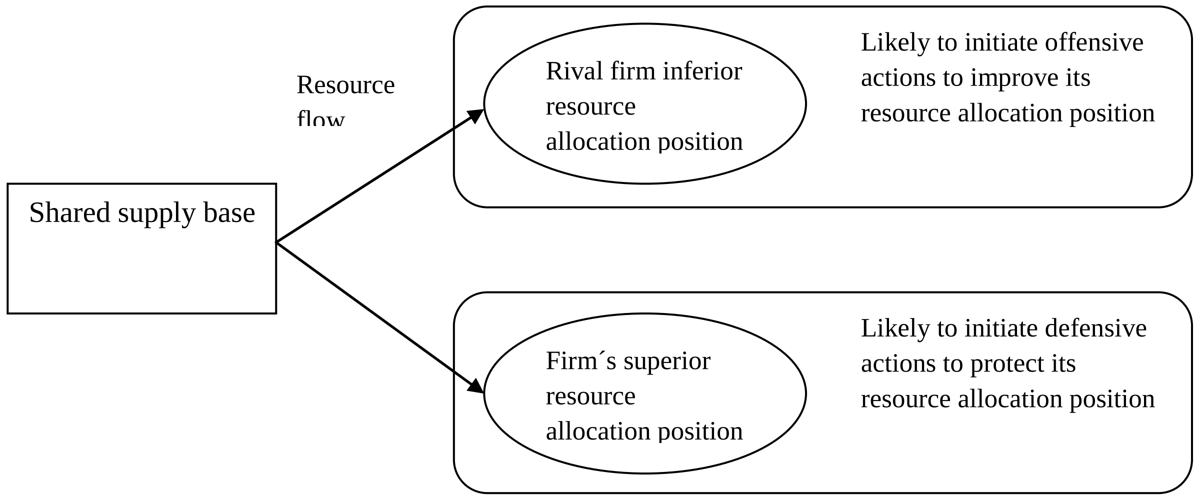


Figure 2: Offensive and defensive competitive actions

Figure 2 illustrates resource competition between rival buying firms whereas firms who obtain superior allocation of resources, attempt to protect its resource position by the initiation of defensive competitive actions, while the rival firm with the inferior resource allocation position can attempt to improve its resource position by the initiation of offensive competitive actions. Differences in resource allocation among competing firms, who share a supply base, form the bases of competitive action against one another (Barney, 1991; Capron & Chatain, 2008; Barney, 2012). We assume that the goals of competitive actions can be of offensive or defensive nature, depending on the resource position of rival firms.

3.2 Direct and in-direct competitive actions

Although the goals of competitive actions depend on the superior or inferior resource position of rival firms, the effectiveness of those actions is subject to other influences from the external environment, like for example buyer-supplier relationships. The type of relationships between buying firms and their suppliers influences overall resource allocation (Nyaga, Whipple, & Lynch, 2010). When firms are willing to invest in each other, it often leads to trust and commitment to their relationships (Nyaga, Whipple, & Lynch, 2010; Baxter, 2012). It is likely that when firms are willing to invest in each other, the relationship between those firms is beneficial for the buyer as well as the supplier. If a buying firm and its supplier are committed to a mutually beneficial relationship, it is likely that the firm obtains some sort of protection via the shared supplier (Nyaga, Whipple, & Lynch, 2010; Baxter, 2012. This could imply that when a buyer-supplier relationship is mutually beneficial, the buying firm may have more influence on its supplier than when that relationship does not exist. The transfer of technologies and knowledge from a buying firm to its supplier is often used to establish a mutually beneficial relationship and thereby to improve or defend its resource allocation position (Dyer & Hatch, 2006). From this it can be argued that a mutually beneficial relationship between buyer and supplier can be used to effectively attack or defend a resource allocation position. In this case, competitive actions of an offensive or defensive nature can be started via the shared supplier and thereby 'in-directly' affect the allocation of resources. For example, offensive competitive actions initiated via the shared supply base against a 'protected' resource position can be ineffective. On the other hand however, offensive actions initiated via the protected or 'friendly' supplier can prove to be effective.

However, when that mutual beneficial relationship between a buyer with a resource allocation position and a supplier does not exist, the resource position is vulnerable (Baxter, 2012). That vulnerability arises because there is no protection from the shared supply base. It is likely that when a buyer-supplier relationship is not mutually beneficial, the buying firm has only a minor influence on its supplier relative to rivals that do have such a 'special' relationship. From this it can be argued that the absence of a mutually beneficial relationship between buyer and supplier indicates that competitive actions to attack or defend a resource allocation position are likely to be more effective if not initiated via the shared supplier, but initiated directly against its rivals.

This could imply that there are differences in suitable approaches, based on the external environment including the resource allocation positions and buyer-supplier relationships. That is why we categorize offensive and defensive competitive actions as direct and in-direct. We define direct actions as, *"direct competitive actions are competitive actions initiated by a buying firm aimed directly at a rival firm".* In-direct competitive actions are defined as, *"in-direct competitive actions are competitive actions which are initiated by a buying firm, targeting a rival firm, via a shared supplier".*

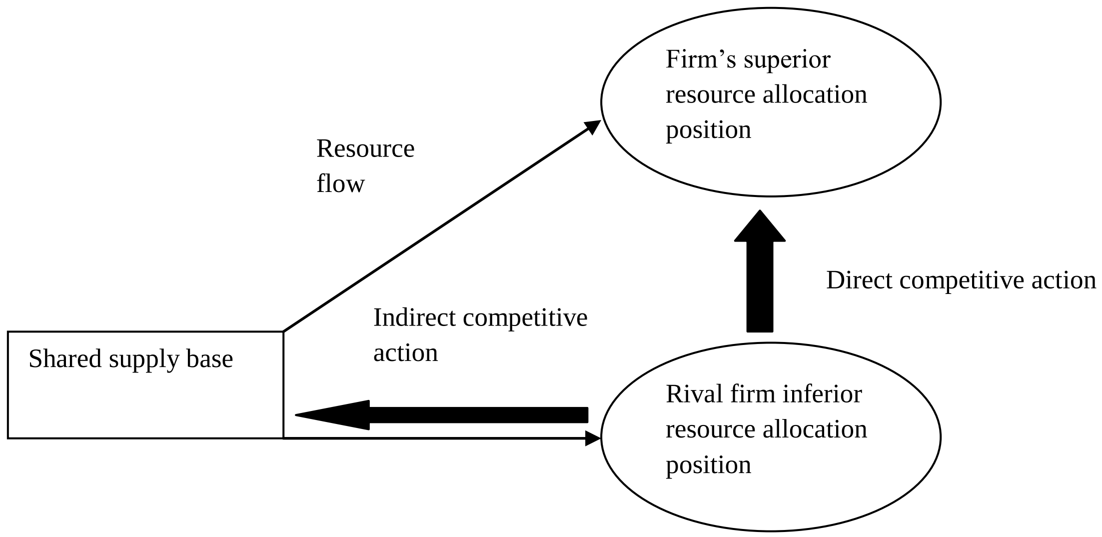


Figure 3: Conceptual model Direct-Indirect competitive actions

As the model in figure 3 illustrates, a firm can initiate a set of direct or in-direct competitive actions to improve or to defend its resource allocation position and thereby its competitive advantage. We categorized competitive actions into direct and in-direct to make a clear distinction between competitive actions initiated directly at competing firms and competitive actions initiated via the shared supplier.

3.3 Framework of competitive actions to attack or defend a firm's resource position.

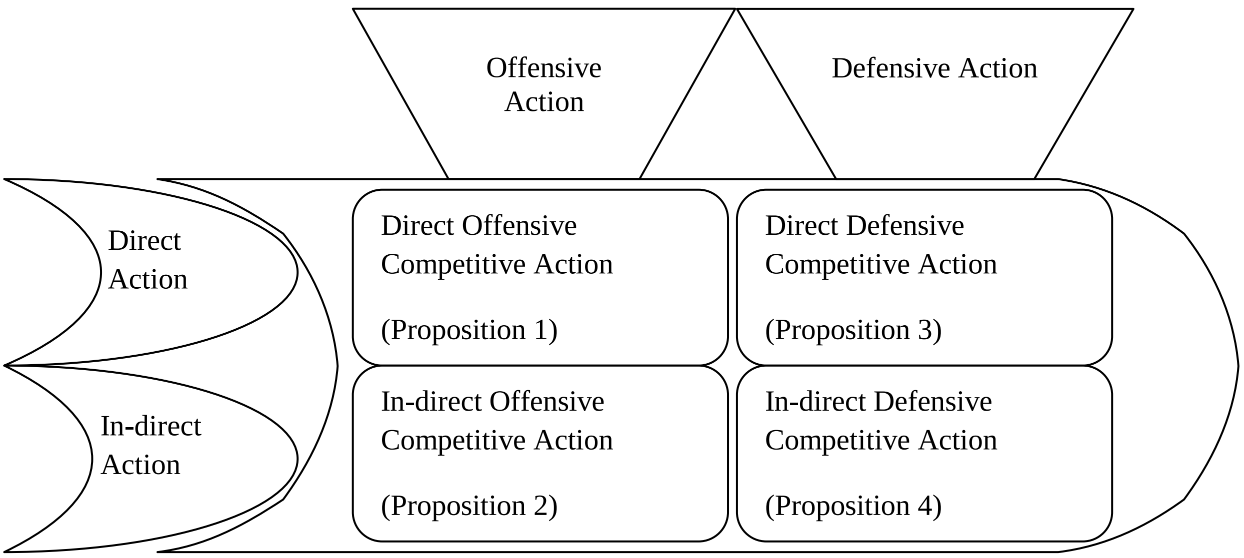


Figure 4: Competitive Actions Matrix

To be able to categorize competitive actions, we define the types of competitive actions, based on the offensive/defensive and direct/in-direct characteristics of the competitive actions. As illustrated in figure 4 we defined four types of competitive actions. Earlier on we stated that we expect firms to attack a rival firm's resource position when it is superior relative to its own position, and to defend its resource position when it is superior in opposition to its rivals.

We define direct offensive competitive actions as, *"direct offensive competitive actions are competitive actions of buying firms initiated directly against competing rival firms, with the goal of improving its own resource allocation position or degrading rival firm's positions"*. A specific direct offensive competitive action is for example hiring key staff from rival firms. By doing so, a buying firm might improve its own resource position, but could also decrease the resource position of their rivals. In fact, Wal-Mart hired key logistics personnel from its rival Amazon (Markman, Gianiodis, & Buchholtz, 2009). These personnel were involved in the process of transferring resources from suppliers, and from this it can be argued that the resource allocation position of Wal-Mart might be improved. Gardner (2005) in fact, states that it is quite common for firms to improve their resource position relative to rival firms by poaching key personnel.

In-direct offensive competitive actions as, *"in-direct offensive competitive actions are competitive actions of buying firms initiated in-directly against competing rival firms via the shared supplier, with the goal of improving its own resource allocation position or degrading rival firm's positions".* A buying firm, who offers higher prices to its suppliers for specific resources than competing firms do, can influence its own resource allocation position, but also the rival firm's position. This is a good example of an in-direct offensive competitive action because the firm aims to improve its resource allocation position by initiating competitive actions 'via' the shared supplier. These types of competitive actions increases resource competition and could even initiate a bidding war (Dyer & Singh, 1998).

Direct defensive competitive actions are defined as, *"direct defensive competitive actions are competitive actions of buying firms initiated directly against competing rival firms, with the goal of defending its resource allocation position".* For instance, superior resources allocations that are attained via the exchange of knowledge and cooperation with the supplier can be protected by for instance, keeping developments a secret. The exchange of knowledge and the cooperation on developments can be kept a secret via contractual obligations (Capron & Chatain, 2008).

In-direct defensive competitive actions are defined as, *"in-direct defensive competitive actions are competitive actions of buying firms initiated in-directly against competing rival firms via the shared supplier, with the goal defending its resource allocation position"*. Fixed pricing agreements on resources and ensuring resource options with the supplier, are good examples of an in-direct defensive competitive action. Contractual agreements make it more difficult for firms to attack their rivals resource allocation position (Capron & Chatain, 2008). In order to prevent rival firms attacking its resource allocation position, it is likely that a firm will offer higher prices to its suppliers or secure pricing agreements in order to prevent rival firms improving their resource allocation position (Jehiel & Moldovanu, 2000).

Depending on competing firms' resource allocation positions and buyer-supplier relationships, firms can initiate four types of competitive actions. The types of competitive actions can have an offensive or a defensive nature, depending on the resource allocation positions among competing firms. The way in which competitive actions are initiated influences the effectiveness of reaching the intend targets. These ‘routes’ of competitive actions is influenced by the influence a firm has on its shared supplier. As a result, competitive actions can be started ‘via’ the shared supplier or directly against rival firms.

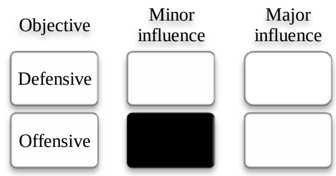
4 Relation between resource positions, buyer-supplier relationships and the effectiveness of competitive actions

In this chapter we will build propositions on the types of competitive actions and under what circumstances these actions could be effective. Differences in resource allocation positions among competing firms that share a supply base form the basis for firms to initiate competitive actions against one another. Firms take competitive actions to gain access to valuable and scarce resources, but also to influence rival firm's resource positions (Barney, 1991; Capron & Chatain, 2008; Barney, 2012). A firm's own resource allocation position, as well as a rival firms' resource allocation position, determine the type of competitive actions that can be initiated effectively. A firm can start competitive actions to improve its own resource allocation position (focal firm resource oriented strategy), but a firm can also initiate actions to degrade the resource allocation position of rival firms (competitors resource oriented strategy) (Capron & Chatain, 2008). Determining the rival firm's resource position by effectively monitoring the external environment influences a firm´s ability to effectively deploy strategies to affect rival resources. Strategies aimed to reduce the effectiveness or quantity of rival's resources (Peteraf & Bergen, 2003; Capron & Chatain, 2008). These strategies include competitive actions to improve or defend a firm's resource position in a shared supply base relative to rivals. In the next paragraph propositions will be build on the offensive or defensive nature of competitive actions and the influences of buyer-supplier relationships on the effectiveness of competitive actions.

4.1 Buying firm´s influence on suppliers

Earlier on, we stated that a firm's supply base can be influenced by the relationship or possible alliance with its supplier. When firms are willing to invest in each other, it often leads to trust and commitment to their relationships (Nyaga, Whipple, & Lynch, 2010; Baxter, 2012). It is likely that when firms are willing to invest in each other, the relationship between those firms is beneficial for the buyer as well as the supplier. The transfer of technologies and knowledge from a buying firm to its supplier is often used to establish a mutually beneficial relationship and thereby to improve or defend its resource allocation position (Dyer & Hatch, 2006). Frankel, Goldsby and Whipple (2002) however, state that many collaborative relationships or alliances do not live up to the firms' expectations. Unsuccessful partner selection or inter firm realignment are often the causes of collaborative failure (Daugherty, et al., 2006). From this it can be argued that although a firm has a mutually beneficial relationship with it is supplier, it does not necessarily lead to a superior resource allocation position. So in the case that a mutually beneficial relationship does not live up to a firm's expectations and does not lead to an intended superior resource position, a firm can still have a major influence on the supplier itself. From this it can be argued that a superior or inferior resource allocation position is not necessarily caused by (only) the effectiveness of buyer-supplier relationships. This could imply that if a firm has a mutually beneficial relationship with its supplier, it is likely that regardless of the level of resource allocation, a firm has a major influence on the supplier itself. Opposed to, when a firm does not have a mutually beneficial relationship with its supplier, it is likely that regardless of the level of resource allocation, a firm has only a minor influence on the supplier itself.

4.2 Attacking a rival firm’s superior resource position



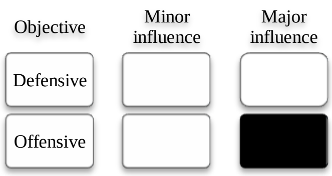
When a buying firm possess an ‘inferior’ resource allocation position relative to its rivals, it is likely that the firm will attempt to reduce the gap between its own position and the rival’s superior position by improving its own resource allocation or by degrading the rival’s resource allocation position. “To the extent that strategists can capture and maintain the initiative, their competitors are obliged to respond, thus being forced to take a reactive role rather than a proactive role” (MacMillan, 1982, p. 43). That proactive role fits the firm that takes the initiative. To be able to use that initiative in improving its resource position or in degrading the position of its competitors, a firm can initiate offensive competitive actions to keep their competitors under pressure and to influence the resource allocation positions. Imagine two firms that share the same supply base competing for the allocation of the best resources. The firm with an inferior resource allocation position can attempt to reduce the gap between the rival’s superior resource position and its own position by the initiation of offensive competitive actions and thereby attempting to improve its competitive position (Capron & Chatain, 2008). The effectiveness of these competitive actions however, is influenced by the competing firms’ resource positions and the buyer-supplier relationships of competing firms. In the case a buying firm has an ‘inferior’ resource position relative to its rivals and has only a minor influence on its shared suppliers due to the absence of mutually beneficial buyer-supplier relationships, it is likely that competitive actions initiated directly against the rival firm are most effective. That is due to the fact the relationship between the rival firm and the shared supplier can be mutual beneficial. In that case, the rival firm obtains some sort of protection via the shared supplier (Nyaga, Whipple, & Lynch, 2010; Baxter, 2012). This could imply that offensive competitive actions via the shared supply base could be ineffective due to a firm’s minor influence on its supplier and the rival firm’s protection from the shared supplier. In that situation, competitive actions can be more effective if initiated differently against the rival firm. For example, hiring key staff from rival firms is a direct offensive competitive action which can improve a firms own resource position but also can decreases the resource position of their rivals. In fact, Wal-Mart hired key logistics personnel from Amazon (Markman, Gianiodis, & Buchholtz, 2009). These personnel were involved in the process of transferring resources from suppliers, and therefore can improve the resource allocation position of Wal-Mart. Gardner (2005) states that it is quite common for firms to improve their resource position relative to rivals by poaching key personnel.

However, not only tangible assets are subject to competitive attacks. In fact, a firm’s reputation is probably the most important intangible asset (Toms, 2002) which rival firms can target on. Empirical research suggests that when a firm improves its reputation, it creates goodwill and therefore customer and supplier loyalty (Chauvin & Herschey, 1994; Fombrun, 1996; Toms, 2002). That supplier loyalty could also be a target of direct offensive competitive actions. For instance, the authorities of Taiwan started an investigation on accusations that Samsung paid students to write negative responses about HTC products (Van der Kolk, T, 2013). By doing so, Samsung tried to negatively influence public opinion about their competitors in favor of Samsung. This 'trash talk' can obviously influence sales, in this case HTC, but could also have an impact on HTC's supplier relationships (Brandenburger & Stuart, 1996). In fact, firms with inferior resource allocation that initiate such offensive competitive actions against its rivals can influence the rival's superior resource position directly.

When buying firms and suppliers are willing to invest in each other, it often leads to trust and commitment to their relationships (Nyaga, Whipple, & Lynch, 2010; Baxter, 2012). From this it can be argued that when other determinants are equal, the shared supplier will support the firm with which it has the best resource relationship. Attempts to influence a rival firm's 'protected' superior resource position by starting competitive actions via the shared supplier, might therefore prove to be fruitless. This could imply that when a firm has only a minor influence on the shared supplier, competitive actions that are initiated via the shared supplier are likely not to be effective. When the external environment indicates that a rival firm superior resource allocation position is based on a solid relationship with the shared suppliers, offensive competitive actions ought to be most effective if initiated directly at the rival firm. Accordingly, we propose the following.

Proposition 1a – Buying firms that obtain inferior resource allocation from their shared suppliers relative to rivals, and have only a minor influence on their shared suppliers, will be more likely to initiate direct offensive competitive actions.

4.3 Attacking a firm's superior resource position via the shared supplier



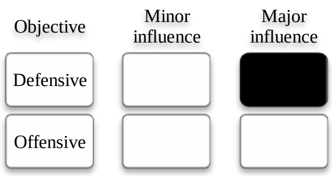
While differences in resource allocation positions among competing firms that share a supply base can trigger firms to take on the offensive (Barney, 1991; Capron & Chatain, 2008; Barney, 2012), direct offensive competitive actions are not suitable in every situation. In fact, when a firm has an inferior resource position but has a major influence on the shared suppliers, competitive actions initiated via the shared supplier can be more effective. We previously defined these types of actions as in-direct offensive competitive actions. We argue that the transfer of assets such as technologies and knowledge from a buying firm to the suppliers (Dyer & Hatch, 2006), is an example of an in-direct offensive competitive action. By doing so, the productivity and performances of the supplier improves, which can lead to the improvement of the resources that are allocated as well as improvement of the resource position.

This type of knowledge transfer ought to be quite attractive because when a buyer has transferred these 'knowledge' assets, the assets can be reused at minimal additional costs at for example multiple plants or firms. The 'cost' attractiveness however depends on the attributes of the knowledge that is transferred. While tacit knowledge is quite difficult and therefore costly to transfer, the transfer of explicit knowledge is often relatively simple and cost attractive (Szulanski, 1996; Kogut & Zander, 1992; Hatch & Mowery, 1998). Another example, when a buying firm offers higher prices to its suppliers for the allocation of resources than competing firms do, the firm influences the resource allocation position of itself, but also of the competing firms (Jehiel & Moldovanu, 2000). This type of in-direct offensive competitive action increases resource competition and could initiate a bidding war (Dyer & Singh, 1998).

In the case a rival firm has a superior resource position but has only a minor influence on the shared supplier, a firm can aim to improve its inferior resource position by starting offensive competitive actions via the shared supply base. When a firm with a superior resource position does not have an intense mutually beneficial relationship with the shared suppliers, it could prove to be more rewarding for the suppliers to cooperate with rival firms. In that case, the firm’s superior resource position can be quite vulnerable. That could imply that a shift of competitive advantages on resource allocation can be triggered when rival firms initiate competitive actions via the shared supply base. When the external environment indicates that a rival firm superior resource allocation position is based on a vulnerable relationship with the shared suppliers, offensive competitive actions ought to be most effective if initiated via the shared supply base. Accordingly, we propose the following.

Proposition 1b – Buying firms that obtain inferior resource allocation from their shared suppliers relative to rivals, and have a major influence on their shared suppliers, will be more likely to initiate in-direct offensive competitive actions.

4.4 Defending a firm’s superior resource position from rival attacks



When firms are not capable of capturing or maintaining the initiative in opposition to their rivals, the firms are forced to take a reactive role in rivalry (MacMillan, 1982). Because rival firms can at any time be on the offensive, it is important for firms to start defensive competitive actions to anticipate upon rival actions. When firms initiate offensive competitive actions to degrade rival firms superior resource allocation position, it means that these rival firms are under attack and need to protect themselves.

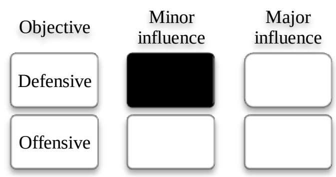
Imagine two buying firms that share a supply base with significant differences in their resource allocation position. A firm with a competitive advantage due to a superior resource allocation position would likely benefit from protecting that position against rival attacks. It is likely that the ‘inferior’ resource allocation position from the rival firm forms a threat to a firm´s own superior resource position. This is because a rival firm is likely to initiate competitive actions to degrade the firms’ resource allocation position (Jehiel & Moldavanu, 2000; Capron & Chatain, 2008). In fact, when a buyer and a supplier cooperate on the development of new and/or improved resources, the buying firm faces the risk of knowledge spillover towards competing rivals (Dyer & Hatch, 2006), and therefore a decline in its superior resource allocation position. To prevent that from happening, a buying firm can initiate several defensive competitive actions.

In the case a firm has a superior resource position and has a major influence on its suppliers, it is likely that a rival firm cannot effectively attack its resource position via the shared supplier. In fact, when the relationship between a firm and supplier is mutually beneficial, it is quite unlikely that offensive competitive actions from rival firms are effective. Buying firms and suppliers are more committed to a resource relationship and are more willing to invest in each other, when the buying firm obtains a superior resource position (Dyer & Hatch, 2006; Baxter, 2012). This could imply that the superior resource position obtains some sort of protection via the supplier. Due to that protection, it can be argued that firms are keen on upgrading their ´weaker´ defenses against direct offensive competitive actions. For example, possible new or improved resources can often be patented, which means that competing firms cannot use or imitate the resources without a license. In fact, the 'patent' war between Apple and Samsung illustrates the process of competing firms targeting each other's resource defenses (Bartz & Benkoe, 2013). Apple and Samsung constantly try to influence each other by claiming law suits over a large variety of technology patents. By doing so, these competitors aim to influence production, sales, networks, and relationships, so it is important to set up defensives. Another defensive option is keeping developments a secret. The exchange of knowledge and the cooperation on developments can be kept a secret via contractual obligations (Capron & Chatain, 2008).

It can be argued that aspects from the external environment determine what type of defensive competitive actions can be effective and should be initiated. When the external environment indicates that a firm has a superior resource allocation position relative to its rivals and has major influence on its suppliers, it is likely its defenses against direct offensive competitive actions are relatively weak. Therefore it is likely that starting direct defensive competitive actions is most effective. Accordingly, we propose the following.

Proposition 2a – Buying firms that obtain superior resource allocation from their shared suppliers relative to rivals, and have a major influence on their shared suppliers, will be more likely to initiate direct defensive competitive actions.

4.5 Defending a firm's superior resource position from rival attacks via the shared supplier



In the case a firm's superior resource position is protected by its effective mutually beneficial relationship with its suppliers, it is likely that rival firms will attempt to attack its superior resource position directly. However, when the external environment indicates that a firm has a superior resource position but has only a minor influence on the shared suppliers, it is likely that only direct defensive competitive actions are not sufficient in protecting the superior resource position. Earlier on, the transfer of assets such as technologies and knowledge from a buying firm to the suppliers (Dyer & Hatch, 2006) was defined as an in-direct offensive competitive action. This type of competitive action often initiated via the shared supplier, to improve a firm's own resource position or to degrade the positions of their rivals. However, when a buyer tries to obtain competitive advantages through transferring technologies and knowledge to its supply base, the buying firm takes a risk. When transferring assets to a supplier, there is a possibility that the value of the assets decreases due to for instance knowledge spillovers towards competing firms (Dyer & Hatch, 2006). So clearly, when a buying firm aims to obtain a sustained competitive advantage, the transferred knowledge assets need to be rather specific to their buyer-supplier relationship. That relationship is of key importance in preventing competing firms from tapping into that specific type of resources (Baxter, 2012). This could imply that in absence of a mutually beneficial relationship, a superior resource position can be vulnerable for in-direct offensive competitive actions.

By transferring assets to its suppliers, buying firms are able to establish a special relationship with a supplier based on mutual benefits. That 'special' relationship is often leveraged in obtaining better resources than competing firms. For example, the transfer of knowledge and technologies to the suppliers needs to be continued to keep the relationship intact and to prevent rival firms taking advantage of the already 'invested' knowledge. This could imply that improving the relationship with the supplier can be of importance in protecting a superior resource position. Another option to influence resource allocation in-directly, is when buying firms offer higher prices for resource allocation than rivals do (Dyer & Singh, 1998). Based on the 'route' via the supply base, fixed pricing agreements on resources and ensuring resource options with the supplier, can be categorized as an in-direct defensive competitive action. By doing so, the resource allocation position in a shared supply base can gain protection via the supplier. Contractual agreements for example, also make it more difficult for firms to attack their rivals resource allocation position (Capron & Chatain, 2008). In order to prevent rival firms attacking its resource allocation position, it is likely that a firm will offer higher prices to its suppliers in order to prevent rival firms improving their resource allocation position (Jehiel & Moldovanu, 2000). It is likely that firms are keen to defend a superior resource allocation position in a shared supply base from rival firms' offensive competitive actions. However, the effectiveness of the protection firms can build can be influenced by the types of offensive competitive actions rival firms can initiate. When the rival firm has major influence on the shared suppliers, it is likely that the rival firm will use that influence to its advantage by the initiation of offensive competitive actions via the shared supplier. When a buying firm has a superior resource position and has only a minor influence on its suppliers, it is likely that rival firms will attempt to affect the superior resource position via the shared suppliers due to vulnerability in the defenses. To obtain protection on its superior resource position against these types of competitive actions, it is likely that a firm will attempt to improve its relationship with the shared supplier by starting in-direct defensive competitive actions. Accordingly, we propose the following.

Proposition 2b – Buying firms that obtain superior resource allocation from their shared suppliers relative to rivals, and have only a minor influence on their shared suppliers, will be more likely to initiate in-direct defensive competitive actions.

5 Conclusions

5.1 Summary of main findings

In the introduction we asked ourselves the question "What kind of competitive actions can firms initiate to influence rival firm resource positions in a shared supply base?" We found that there are four distinctive types of competitive actions. Namely, direct offensive, in-direct offensive, direct defensive, and in-direct defensive competitive actions. These types of actions depend upon the goals of competitive advantages firms intend to reach. Ghemawat and Rivkin (2006), and Singh (2006) made a distinction between (1), 'creating' competitive advantage and (2), 'sustaining' competitive advantages. We found that by defining resource positions to be superior or inferior we can couple competitive advantages to be superior or inferior as well. That link between the level of resource allocation and the level of competitive advantages showed to be helpful in mapping competitive actions to be of an offensive or defensive nature. Furthermore, we found that by categorizing competitive actions to be direct or in-direct, we could clearly illustrate under what circumstances what type of competitive action ought to be most effective. Dyer and Hatch (2006) stated that firms can obtain better resources from a shared supply base, even if these firms have a weaker power or dependency position than their rivals. By categorizing competitive actions we defined the specific types of competitive actions that can obtain better resources despite weaker positioning. In competition for the best resources from shared suppliers, firms should start with setting clear goals. Setting goals like defending a resource allocation position or attempting to improve a resource position. The next step is to determine which 'route' of competitive actions is likely to be most effective. This depends on the differences in buyer-supplier relationships among competing firms.

5.2 Contributions

This paper can provide the first step in theory building on competitive actions in future research. The most important findings of this paper include a possible improvement on the effectiveness of competitive actions that can be initiated. We found that a buying firm can improve or sustain its resource allocation by acting on its own resource position as well as on its rival's resource position. By taking on the offensive or taking on a defensive position on the initiation of competitive actions, firms are more able to act on their specific interests. Categorizing offensive and defensive competitive actions in direct and in-direct competitive actions enables firms to aim more precise to the intended targets. By developing insights on resource competition in more detail, the competitive actions also ought to be more effective. This paper forms a stepping stone in addressing questions concerning the effectiveness of competitive actions. Questions such as, what kinds of actions are likely to be most effective in defending or attacking a resource position? And how does the external environment influences that effectiveness?

Whereas current literature recognizes that the success of a firm is increasingly depending on external resources that can be gained from suppliers or supplier networks (Cao & Zhang, 2011; Choi & Krause, 2006), literature does not clearly define the types of competitive actions firms can initiate to improve their own resource position or to degrade the positions of their rivals. The competitive action matrix in figure 4 illustrates the types of competitive actions firms can start. The effectiveness of those actions depends on elements of the external environment. The competitive action matrix and its categorization of competitive actions can prove to be an effective tool in charting competition on external resource between firms that share a supply base. The matrix provides new insights to a developing literature stream illustrating the process of attaining better resources from a supply base. Whereas most research illustrates competitiveness on a larger scale, the definitions and categorizations of competitive actions in this paper can contribute to current literature due to a more in depth research. A more in depth research completely focused on competition on resource allocation. This papers' perspective on competitive actions and the effects of external resource positions and buyer-supplier relationships can provide a first step in the following stream of literature.

5.2.1 Managerial implications

The categorization of competitive actions based on influences from the external environment enables managers to better adjust their strategies in creating or sustaining competitive advantages. Competitive advantages that are based on attaining better resources than competing firms that share the same supply base. This first step in building a theory on competitive actions might help in explaining how firms can obtain or sustain better resources from a shared supply base, even despite a possible weaker power or dependency position relative to rivals (Dyer & Hatch, 2006).We believe that this first step will help firms to better identify their position in a shared supply base and to recognize suitable competitive actions on how to attain or to protect the allocation of the best resources from their shared suppliers. However, this paper will only contribute to practice if future research will take the following steps in building on the theory concerning competitive actions.

6 Future research

6.1 Theory building

An interesting next step in the process of building a new theory on competitive actions would be to empirically examine the actual effects of categorizing the different types of competitive actions firms can start in competition for the best resource allocation from shared suppliers. If a difference in resource allocation positions causes firms to compete for the best resources from shared suppliers, we state that it is likely that firms will attempt to improve or defend their resource position, depending on the competing firms' resource positions. Future research could asses that statement by examining actual competitive actions of firms competing for the best resources. Future research should examine if firms actually do act offensively or defensively, depending on their resource allocation positions. If future research emphasizes the idea of categorizing competitive actions in offensive and defensive actions, future research could help to develop a more in depth understanding concerning the motives of competitive actions.

Nyaga, Whipple and Lynch (2010) state that when a firm attains better resources relative to rival firms allocated by a shared supplier, it is likely that the a firm and its supplier are more willing to invest in each other. However, we state that these commitments to each other do not solely explain a superior or inferior resources position. That is due to the fact that many collaborative relationships that do not live up to the overall expectations of the participating firms (Frankel, Goldsby, & Whipple, 2002). In future research, it could be interesting to include critical details on successful partnerships in illustrating the effects of buyer-supplier relationships on the effectiveness of competitive actions. Empirical research could assess the effects of mutually beneficial buyer-supplier relationships in the actual effectiveness of competitive actions. Do firms actually anticipate on the buyer-supplier relationships of competing firms? For example, do firms deliberately start competitive actions via the shared supplier or not? By doing so, future research could assess the effects of categorizing direct and in-direct competitive actions.

By examining the motives of competitive actions and the nature of buyer-supplier relationships in more detail, the understanding on competitive actions and their effects on resource allocation positions can be improved. Preferably, future research will build on a theory on competitive actions by empirically assessing the findings of this paper by using existing empirical data on resource competition, or by setting up an experiment to obtain new empirical data.

6.2 Competitive intelligence

Another direction for future research is offered by an alternative explanation on the effectiveness of competitive actions. It has been argued that the necessity of competitive intelligence to effectively initiate competitive actions is often overlooked (Chen, 1996). To be able to initiate effective measures on competing firms, firms need to be aware of each other's positions and movements (Capron & Chatain, 2008). To be able to create a detailed image of competitive relationships, competitor analyses can be used for assessing the relationships between pairs of competitive firms (Chen, 1996; Ghoshal & Westney, 1991). The focus however of this analysis is not on understanding the specific industrial groups or firms, or even at an individual level, but the focus lies on assessing the competitive tension between firms. By doing so, an assessment can be made about the probability of firms engaging in competitive interactions and therefore assessing what kind of offensive or defensive actions firms should initiate. Threats and opportunities that may be due to buyer-supplier relationships could also be assessed by competitor analysis. Literature on decision making and organizational changes illustrate three key factors concerning organizational action, (1) a firm's awareness of inter-firm (competitive) relationships and the implications of possible actions, (2) a firm's motivation to act, (3) and the capability of a firm of starting actions (Allison, 1971; Dutton & Jackson, 1987; Lant, Miliken, & Batra, 1992; Chen, 1996). These three aspects can be critical in the prediction of inter-firm rivalry (Miller & Chen, 1994) and therefore critical for making an effective assessment on starting competitive actions. Based on the competitive action matrix in this paper, future research can empirically assess the effectiveness of competitive intelligence in the process of initiating competitive actions. The focus of future research might be on questions as; how does competitive intelligence influence the decision making on competitive actions and the effectiveness of these actions?

6.3 Action – Reaction

Finally, we notice the concept of possible 'retaliation' on competitive actions and state that the likelihood of firms reacting against offensive competitive actions influences the overall effectiveness of competitive actions. When it is likely that rival firms retaliate on competitive actions, a firm might be reluctant to target those rival firms. When rivals that may be affected are equally motivated in responding on possible offensive actions due to for example high competitive impact, a firm which considers a competitive action against its rival's resources will estimate its own capability to effectively act compared to the potential impact of defenders retaliations (Peteraf, 1993; Chen, 1996). This could imply that intended competitive actions are influenced by possible threats of retaliation. Rival firms which are similar concerning political influence, the level of lobbyists, and financial resources form likely threats in retaliation (Capron & Chatain, 2008). Future research can assess the possible influence of rival firm retaliation on the overall effectiveness of competitive actions. In doing so, future (empirical) research on the effect of 'competitive retaliation' on the categorized types of competitive actions from this paper might provide useful insights into the overall effectiveness of competitive actions.

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