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CURRENT EMPIRICAL RESEARCH

When and How Will Market Competitors Keep or Change Strategy?

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For animals and for firms, learned habits and mimicking successful others mostly aid survival—except when they do not. In this issue of *OMJ*, Major, Maggitti, Smith, Grimm, and Derfus “use the awareness–motivation–capability (AMC) perspective developed by Chen and colleagues (Chen, 1996; Chen, Su, & Tsai, 2007) to examine the tension between a firm’s tendency to automatically repeat its own past competitive activity or to imitate others versus its capability and desire to be more selective and less predictable.” Building a theoretical and empirical case, they argue that some firms may repeat past actions “reflexively” informed (and limited) by past actions, and they will make only slow and incremental changes. Also reflexively, some firms may imitate actions of successful competitors. Both classes of reflexive processes can stem from limitations on information and processing. Resulting programmed or routine decisions do not represent particularly broad planning and might not increase organizational effectiveness.

Major et al. note that “What would cause one firm to imitate some rivals, but not others, is yet unclear.” They propose that variations in “awareness, motivation, and capability to engage other firms in rivalry” lead firms to base competitive activity both (a) reflexively from their own and others’ experiences and (b) contextually based upon “more strategic and less predictable” cognitive selections.

Applying accepted approaches with structured content analysis, they examined as a dependent variable a count of marketing activities (e. g., mergers and acquisitions, alliances, product introductions, advertising campaigns and product announcements, and product innovations) of “2,164 industry-specific, firm–rival dyads from 11 industries ranging from hard goods manufacturers and general retailers to utility providers and national supermarkets over a 6-year period.” Independent variables included measures of marketing activity, performance, industry leadership, and

similarity in industry standing—lagged by 1 year. Major et al. considered contextual effects on a firm’s selective behavior and future competitive activity, including prior focal firm performance, rival firm performance, rival industry leadership, and similarity in industry standing.

They examined four hypotheses about the interplay of reflexive and selective behavior and found “consistent support for the main effects of both the focal firm and rivals prior levels of competitive activity on future firm activity level, providing evidence of the existence of reflexive competitive behavior. There is also support for selective behavior in the influence of certain contextual factors.” They found, however, that prior performance of rivals did not affect rivals’ level of influence and that industry leaders provided elevated influence. Further, rival–firm similarity did affect the relationship between rival prior marketing activity and the focal firm’s future marketing activity.

The study demonstrates that (in terms of marketing activities) firms can act both reflexively and selectively, and they can learn from their own and from rivals’ activity. Consequently, Major et al. note that (a) firms cannot predict the behavior of rivals from past behaviors alone, (b) firms may gain decision-making advantages by recognizing which rivals act reflexively and which act selectively, and (c) competing firms do select particular rivals for imitation. This well-presented article promises to stimulate much further research.

References

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- Chen, M.-J., Su, K.-H., & Tsai, W. (2007). Competitive tension: The awareness-motivation-capability perspective. *Academy of Management Journal*, 50(1), 101–118. doi:10.5465/AMJ.2007.24162081