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RECONCEPTUALIZING COMPETITIVE DYNAMICS: A MULTIDIMENSIONAL FRAMEWORK

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Competitive dynamics research, despite progress, lacks a conceptual framework that can extend the field's reach to address today's environment. Increasing stakeholder power and globalization are but two of the organizational and economic forces compelling a broader conceptualization of competition. Our framework expands competitive dynamics along five dimensions—aims of competition, mode of competing, roster of actors, action toolkit, and time horizon of interaction—that prove useful for contrasting the rivalrous and competitive-cooperative modes and a new approach we call relational competition. We draw conjectures about the moderators, such as industry and culture, that determine the appropriateness of these forms of interaction, and conclude by relating our method to three discrete perspectives: the configurational, transaction cost, and stakeholder views.

INTRODUCTION

The study of competitive dynamics has flourished in recent years for a variety of reasons. It offers a fine-grained approach to understanding what a firm does when it competes with specific rivals, and it studies measurable actions that are subject to rigorous examination and therefore yield cumulative findings (Ferrier, Smith, and Grimm, 1999; Sirmon *et al.*, 2010; Smith, Ferrier, and Ndofor, 2001). It allows multilevel investigations that link micro and macro organizational research (Kilduff, Elfenbein, and Staw, 2010) as well as studies of competition and cooperation (Gnyawali and Madhavan, 2001). It also has forged links with other areas of strategy and organization such as entrepreneurship (Markman and Phan, 2011), social identity theory (Livengood and Reger, 2010), executive cognition (Marcel, Barr, and Duhaime, 2011), and temporary advantage (D'Aveni, Dagnino, and Smith, 2010).

However, potent organizational trends and economic forces such as growing stakeholder power, pressures to adopt sustainable business practices (Aguilera and Jackson, 2010), the advance of globalization, and the rise of Eastern economies have begun to expose the limitations of traditional competitive practices, where much of the emphasis has been on rivalry, head-on competition, and attack and response among players within an industry. Today, key initiatives often come from players outside a given industry and from non-competitors or non-governmental organizations at home and abroad (Markman, Gianiodis, and Buchholtz, 2009), thereby transforming the nature of competition. Such broader competitive engagement has grown in relevance since the 2008 global financial crisis, which elevated the saliency

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of corporate social responsibility (Freeman *et al.*, 2010). Although the field has surfaced possibilities of cooperation versus head-on competition, multiple stakeholders rather than just rivals, and nonfinancial objectives versus returns, it has done so in a piecemeal manner; rarely have scholars stepped back to apprehend the dimensions of interaction that demand such extensions.

Indeed, *a failure to devise a basic structure for the field* has created the gap between today's challenges and the core orientation of competitive dynamics. Scholars have yet to delineate a framework of the dimensions that broadly characterize "terms of engagement" among players, an essential component in the theoretical foundations of competitive dynamics. Without such a structure, we risk foregoing opportunities to contextualize and discern different varieties of competitive dynamics. More critically, we lack a basis for conceptualizing the field's boundaries and expanding its scope.

Our premise is that a more conceptually encompassing and empirically powerful theory of competitive dynamics may be developed, and the level of analysis elevated by identifying, defining, and portraying more generously its core dimensions. Defining these dimensions will take us beyond the field's unitary elements, uncover a broader array of action options, and, consequently, widen its theoretical scope.

Our reconceptualization offers an encompassing level of analysis to provide insight into issues that are less apparent at lower levels (Lewis and Grimes, 1999). Our understanding of competitive dynamics is enriched when we enlarge our notions of competition, actors, and events, and characterize them in a more expansive and contextualized interplay. The consequence of this process is to open up new ways of theorizing that enrich our views of engagement to incorporate interactions that are more common and essential in global, institutionally embedded competitive environments (Chen and Miller, 2011).

Our paper makes three related contributions. First, it identifies and defines the fundamental dimensions of competitive dynamics that are critical for its theoretical refinement and expansion. Specifically, it proposes a set of core dimensions that structure the field, thus providing a more explicit and systematic conceptualization of the aims and means of interaction and of the actors involved. Second, it widens the theoretical scope of competitive dynamics by offering alternative views of interfirm competition that involve more stakeholders, place greater emphasis on value creation for the community at large, and are more sustainable; in so doing, it extends the intellectual promise of the field and enriches its connection to sister disciplines. Finally, in contrast to previous applications of the awareness-motivation-capability (AMC) perspective at the individual action level, we extend this perspective to the study of the multidimensional construct of relational competition, advancing propositions for its drivers and performance consequences. This initiative reveals how the AMC model could be used to study macro strategy issues such as international alliances and partnerships.

THEORETICAL FOUNDATION

Competitive dynamics: a study of firm actions and interactions

Derived from the Austrian School of economics (Jacobson, 1992; Schumpeter, 1934), competitive dynamics considers competition to be interactive or "dynamic," thus the building blocks of competition comprise action/reaction dyads (Smith *et al.*, 2001) and streams of actions or "repertoires" (Ferrier, 2001; Miller and Chen, 1996; Rindova, Ferrier, and Wiltbank, 2010). This emphasis on individual actions and repertoires of actions is a defining feature of competitive dynamics and provides the foundation for multilevel and multifaceted investigation of the field (Chen and Miller, 2012). The *interaction* (or engagement) between firms lies at the heart of strategy and competition and is arguably the most essential theoretical thrust in competitive dynamics, undergirding many of its core ideas and premises. The pairwise comparison of firms or rivals' positions, resources, and perceptions is central to competitor analysis, which in turn is an integral part of competitive dynamics (Chen, 1996). Thus, *relativity* is a key premise, and the idea of *interdependence* is stressed through the study of action/reaction and market-commonality/resource-similarity between firms.

The *awareness-motivation-capability* (AMC) framework provides an integrative platform for identifying key behavioral drivers of interfirm competition (Chen, 1996; Yu and Cannella, 2007). Simply stated, a competitor will not be able to respond to an action unless it is *aware* of the action, *motivated* to react, and *capable* of responding. The AMC perspective is central to our understanding of

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the sources and consequences of both competitive actions and a wide range of other types of firm actions (Gnyawali, He, and Madhavan, 2006), including cooperative and nonmarket moves.

Until now, competitive dynamics has emphasized rivalrous aspects of competition, such as “attack,” “retaliation,” and “dethronement” (Ferrier *et al.*, 1999). Indeed, the captivating language of combat has dominated, and perhaps restricted, the scope of the field (Ferraro, Pfeffer, and Sutton, 2005).

To achieve theoretical parsimony, competitive dynamics has limited its focus to specific and measurable elements of competition such as actions and responses, speed and magnitude of reaction, and interaction among a few direct rivals. Analysis has tended to be within a single industry, using U.S.-centric samples (Smith *et al.,* 2001). As the field has grown, researchers have devoted more effort to building a coherent body of literature rather than creating novel theories or extending theoretical boundaries. The research has also been confined in its characterization of the nature and time horizon of competition, the range of actors involved, and the consequences of their interactions (Chen and Miller, 2012).

Reconceptualizing competitive dynamics

Several topics in the management field have posed intellectual challenges to competitive dynamics. Among these are stakeholder theory (Freeman *et al.,* 2010), game theory (Brandenburger and Nalebuff, 1996), and cooperation research (Dyer and Singh, 1998), each representing very different views on competition. In taking a normative view, stakeholder research considers a broader set of market players, including competitors, with which a firm interacts, and such interactions are argued to be instrumental to sustained performance (Donaldson and Preston, 1995). Scholars of inter-firm cooperation have examined related options, such as alliances and joint-venture partnerships (Silverman and Baum, 2002). Other studies have considered cooperation among direct competitors (Gimeno, 2004) and shown how cooperative networks shape competitive actions (Gnyawali and Madhavan, 2001); moreover, they have pioneered hybrid forms of interaction such as co-opetition (Brandenburger and Nalebuff, 1996), relational strategy (Dyer and Singh, 1998), and competition-cooperation (Chen, 2008). Going a step further, an “ambicultural” perspective of competitive dynamics, based on the notion of integrating opposites, suggests another promising vein of research (Chen, 2014).

Integrative competitor analysis—one of the key contributions of competitive dynamics—takes an expansive view to examine how firms compare along market-resource dimensions (Chen, 1996). Since the emphasis is on the *relationship* between two firms (Ring and Van de Ven, 1994), rather than on *rivalry per se*, this approach has been applied to multiple types of partners (e.g., in joint ventures and mergers and acquisitions) both within (Haleblian *et al.,* 2012) and outside an industry, to customers (Peteraf and Bergen, 2003), and to non-competitors and NGOs (Markman *et al.,* 2009). Such an expansive notion of competitors gives rise to an opponent- or other-centric perspective (Tsai, Su, and Chen, 2011) and to competition-cooperation interdependence. Each of these mostly independent contributions has provided new insights to the field. At the same time, they demonstrate the field’s fragmented nature and point to the need to take into account developments in a more synthetic and integrated fashion.

Core dimensions for reconceptualization

As noted, scholars of competitive dynamics have developed a coherent set of theoretical thrusts and premises that hold promise for expanding the research. Unfortunately, little effort has been made thus far to devise a basic structure of the domain, and researchers have yet to specify core dimensions that define competitive dynamics or interaction. Our review of the field suggests that the following defining dimensions are essential: (1) aim, or the objectives of engaging in a competitive interaction; (2) mode, or the nature of the interaction; (3) actor, or the number and type of players involved in the engagement; (4) action toolkit, or the repertoire of competitive moves; and (5) time horizon, or the temporal length of an engagement (Table 1). Although these dimensions can be used to characterize former studies of competitive dynamics, they have been implicit, and have tended to lean toward the pole of rivalry. Explicit consideration of the dimensions provides a basis for reconceptualization.

A MULTIDIMENSIONAL FRAMEWORK

Structuring the field along the five defining dimensions reveals an array of options and varieties.

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Table 1. Three prototypical views of competitive dynamics

Dimension	Rivalrous	Competitive-cooperative	Relational
Aim	Appropriation	Competitive advantage	Raise all boats
Mode	Attack, retaliate, avoid attack	Cooperate or co-opt	Compete and cooperate simultaneously in the same act, dependent on rivals' reactions
Actors	Competitors	Also alliance partners	Inclusive set of stakeholders, e.g., clients, public, suppliers, government
Toolkit	Largely economic, generally within industry and technological boundaries	Political as well as economic, sometimes spanning industry boundaries	Also social and ideological, allowing for significant redefinitions of industry and technological boundaries
Time horizons	Short term	Intermediate	Short term to build for long term, and vice versa

Each of the dimensions broadens the orientations of the domain—precepts that have caused competitive dynamics scholars and practitioners to ignore important business challenges, intellectual opportunities, strategic options, and relevant players. These orientations suggest that competitive dynamics mostly concerns (1) gaining advantage over (2) competitors, who are (3) rival companies; (4) that victories can be achieved by taking a limited range of actions, and (5) be measured in market share or profit; and (6) that rewards are pursued mainly for the short-term advantage of firm owners, (7) who are the key players and main focus of analysis (Smith *et al.,* 2001). We shall argue that gaining advantage is not always the most sensible objective, that actors other than competitors are critical to competitive outcomes, and that the most important outcomes may extend well beyond economic gain for owners.

The aims of interaction: from value appropriation, to advantage, to lifting all boats

Implicit or explicit in the discourse of most conventional competitive dynamics scholars is that the ultimate aim of competition is to appropriate value from rivals—to disrupt, "outcompete" or "dethrone" (Ferrier *et al.,* 1999) them, to augment market share (Chen and MacMillan, 1992), or to defend one's turf (Livengood and Reger, 2010). According to this rivalrous mode of thinking, the goal of competitive dynamics is to discover which actions best enable a firm to overcome or defend against rivals; competition is often viewed as a zero-sum game.

By contrast, there is a literature on competition-cooperation[1] in which it is argued that many firms are willing to cooperate with their rivals as long as these initiating firms benefit eventually (Hamel, Doz, and Prahalad, 1989). In other words, the aim is not to destroy the enemy and there is no objection to helping a rival, as long as the focal firm comes out ahead of its competitors in the end (Brandenburger and Nalebuff, 1996; Dyer and Singh, 1998).

A third, emerging view of competitive dynamics is manifested by firms whose objective is to "lift all boats." By embracing this more relational perspective (Chen and Miller, 2011), firms aim to benefit many kinds of market players, including competitors. The goal is not to damage or beat a rival but to do well by contributing to and *creating value for many players*, even one's rivals: for example, by contributing helpful standards, open source-designs, or infrastructure. This competitive orientation is consistent with much of the stakeholder literature (Freeman, 1984; Freeman *et al.,* 2010).

The aims of these different views of competitive dynamics reflect a shift in emphasis on value appropriation from rivals, to competitive advantage, to

[1] There exists a stream of research on cooperation between firms that examines topics such as strategic alliance (Gulati, 1995) and interfirm linkages (Ahuja, 2000). We focus on a subset of this line of work that devotes its attention to the interface between competition and cooperation. Chen (2008) classified this broadly defined "*competition-cooperation*" research into "*co-opetition*" (e.g., Brandenburger and Nalebuff, 1996), "*competition-oriented cooperation*" (e.g., Khanna, Gulati, and Nohria, 1998), and "*cooperation-oriented competition*" (e.g., Gnyawali and Madhavan, 2001).

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value creation for multiple stakeholders. Patagonia, the outdoor apparel company, epitomizes a blend of these competitive aims. The company's behavior is shaped by its stated mission to "build the best product … and use the business to inspire and implement solutions to the environmental crisis." The firm willingly shares with its direct rivals its best practices in high-quality, resource-conserving manufacturing. In so doing, it sacrifices some of its operational competitive edge but it gains through enhanced reputation with its "green" clients and in the motivational climate of its workforce. The purpose then is not only to interact in a way that achieves a beneficial social outcome and that benefits the firm and its employees, but to cooperate or compete with rivals with the goal of a win-win exchange.

The mode of interaction: attack, cooperate, or manage relationships

Rivalrous, competitive-cooperative, and relational perspectives differ in how they characterize modes of interaction, or the nature of the engagement between principal actors. Scholars of the conventional **rivalrous** approach are drawn toward basic forms of competition: those of devising effective direct or indirect attacks and avoiding retaliation. Numerous studies have analyzed *direct* competition: for example, Young, Smith, and Grimm (1996) examined the drivers of firm competitive activity, which, in turn, were found to contribute to market-share gains from early attack and early response. Others, however, have studied stealthy or low-profile competitive tactics that avoid retaliation (Chen and Hambrick, 1995). Moving still further from the head-on rivalrous mode, McGrath, Chen, and MacMillan (1998) proposed that a firm's resource allocations across its business units or markets can affect its rivals' allocations, thereby enhancing its sphere of influence without precipitating an all-out competitive war. An early example of extension beyond the rivalrous mode is mutual forbearance (Gimeno and Woo, 1996), by which firms operating in similar markets tacitly collude to tailor their competitive interactions to minimize risks of escalation.

The **competitive-cooperative** view represents a different approach to gaining advantage. It stipulates that firms may cooperate in a variety of ways, from sharing patents, technologies, and even key personnel with rivals, to price signaling, establishing a technical standard, and colluding on price (Brandenburger and Nalebuff, 1996). Despite the range of competitive-cooperative interactions, all are designed ultimately to achieve a self-serving end: one interacts in a way to gain the upper hand, "learn from competing partners" (Dussauge, Garrette, and Mitchell, 2000), or "cooperate and win" (Hamel *et al.,* 1989).

A third mode of **relational** interaction has recently surfaced in the literature. Relational competitive actions are complex, their consequences varying for different stakeholders such that the same actions may elicit different responses from different parties, or even from the same party at different times. Thus, an action may have the potential to be both competitive and cooperative (Chen, 2008), depending on its relationship to the party in question and the perceptions and goals of that party (Tsai *et al.,* 2011). Such an expansive application of competitive dynamics embraces an opponent-centric or "other-centric" perspective that does not simply engage a rival to achieve advantage, but to find new paths leading to mutual benefit. Relationships are examined "in context" by *taking into account the intentions and needs of all parties involved.*[2]

Google's engagements with its "frienemies" illustrate the relativity of competitive interaction. The Internet search giant's video-sharing subsidiary, YouTube, attracts an immense daily volume of entertainment and news content uploads from the public. Some traditional media companies, such as television networks, have taken direct competitive measures—threats, lobbying, litigation—to prevent Google from "giving away" their proprietary products. Others have parlayed links to YouTube video clips to attract more viewers to their regular programming. Thus, through negotiations with Google, some firms have converted a threat into a powerful opportunity both to promote their product and to increase advertising revenue, while at the same time siphoning ad revenue away from Google. In short, only the specific interactions between parties and the resources and preferences in question determine whether Google's YouTube initiatives constitute aggressive rivalry or an opportunity for cooperation.

[2] The notion of ambicultural integration mentioned previously fits within this stream of research with its premise that opposite parties such as competitors or rivals may benefit from seeking to transcend their differences and reap strengths from one another (Chen, 2014; Chen and Miller, 2010).

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Actors in interaction: competitors versus partners versus stakeholders

Rivalrous, competitive-cooperative, and relational perspectives of competitive dynamics have very different "casts of characters." The conventional **rivalrous** view has concerned itself with direct and sometimes indirect rivals. Direct rivals tend to be similar in their market focus and size (Chen and Hambrick, 1995), whereas indirect rivals are somewhat more distinct in those respects (McGrath *et al.,* 1998).

The **competitive-cooperative** perspective expands the roster of interaction partners to include those with which an organization forms alliances: typically, competitors in the same or related industries (Gimeno, 2004). The focus is on firms that are direct or, more often, indirect rivals that may become parties to a business agreement, alliance (Ahuja, 2000), or even merger (Haleblian *et al.,* 2012). The option to cooperate, however, also broadens the scope of possible interaction partners to include suppliers of factors of production (such as raw materials and labor unions) and/or partners in upstream and downstream industries whose cooperation might enable firms to compete more effectively (Markman *et al.,* 2009).

The **relational approach**, borrowing from the stakeholder view, enlarges the roster of actors still further to embrace a range of parties that are relevant not merely to an organization's success, but to the well-being of many affected by an organization: employees, clients, customers, and broader society (Freeman *et al.,* 2010). As the aim now is to lift multiple boats, and because win-win outcomes are sought, potential partners may include such public institutions as universities that might be funded to train experts in a firm's specialization, community organizations with which a company might work to reduce pollution, consumer protection agencies to improve product quality, and employees to enhance working conditions.

The relational view also considers stakeholders as having influence *upon* an organization (Freeman *et al.,* 2010; Hillman and Keim, 2001). Competitive acts that injure these parties may in the long run compromise an actor both economically and ethically. Many organizations compete not just for market share and customers (Peteraf and Bergen, 2003) but for employees (Gardner, 2005) and political support (Caeldries, 1996); each of these stakeholders may serve as a source of advantage (Dyer and Singh, 1998). More importantly, a firm's competitive positions are enhanced by assorted forms of collaboration—for example, with partners to develop core competencies, with universities to fund research, with competitors to develop technologies or common industry standards (Brandenburger and Nalebuff, 1996). Even rivals may introduce useful new challenges and ideas that awaken a firm to opportunities (Porter, 1998).

The relational perspective acknowledges that engagements with any one party may well affect the resources and reputation of a company and hence its interactions with others (Saxenian, 1994). The premise is that a firm can thrive in the long run only by taking into consideration all its stakeholders. Thus, a key competitive "dynamic" here is that first-mover sacrifice may precede by a significant interval any pecuniary reward—especially in assets that can be grown together to the benefit of multiple competitors. Balancing the interests and concerns of stakeholders is central to the relational notion of interaction, and thus it is necessary to understand their needs, preferences, and interdependencies.

A critical dynamic introduced by the consideration of a broader set of actors is the choice of how to sequence cooperative and competitive relationships with the different stakeholders to minimize unfavorable responses and promote cooperative ones. For example, should firms first develop complementary "supply side" relationships with factor suppliers (Markman *et al.,* 2009) and providers of human and intellectual capital to build up core capabilities and expand the cooperative network? Or should they work on the "demand side" (Peteraf and Bergen, 2003) to collaborate with community, regulatory, and standard-setting industry associations to create demand for a product and pre-empt retaliation? Typically, an organization's resources for forming such associations will be limited. Firms must therefore choose which stakeholders to appeal to, and when, depending on both the nature and availability of key resources and the effectiveness of the particular stakeholder relationships in deterring or neutralizing competitive reactions. These dynamical considerations have been neglected to date by most stakeholder scholars, with noted exceptions such as Mitchell, Agle, and Wood (1997).

Action toolkit: from economic to political to social and ideological

We define action toolkit as the repertoire of moves a firm may take in its engagements with other

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actors. There are two critical aspects to a toolkit: the type of actions deployed, and their geographic and industry boundaries. Again, the differences among rivalrous, competitive-cooperative, and relational perspectives illustrate collectively a more expansive range of economic, political, and social and ideological competitive options.

The **rivalrous** view has concentrated on economic means of competition: those typically involving the traditional levers of strategy, with the balance leaning toward economically targeted tactics more than strategic initiatives. The emphasis of the early research was on economic levers of action such as price changes and promotions (Smith *et al.,* 2001). Other studies examined the impact of irreversible strategic investments on the propensity of rivals to respond (Miller and Chen, 1994). Although the toolkit was confined mostly to economic actions—tactics and strategic initiatives—within an industry, a few multimarket competition studies spanned several industries and geographies (Gimeno and Woo, 1996).

The **competitive-cooperative** perspective expands the toolkit to include actions that are clearly cooperative. In our discussion of interaction modes, we referred to such actions as combining with partners and competitors to set industry standards, to collocate, to lobby, and to collude (Gimeno and Woo, 1996). Here, the toolkit progresses from one that is quintessentially economic to one that is in many ways political. Kingsley, Vanden Bergh, and Bonardi (2012) provide a framework that describes when and how firms carry out nonmarket actions in an effort to mitigate regulatory uncertainty. Capron and Chatain (2008) explicitly view a firm's political actions as a vital, but underexplored, element of a firm's competitive repertoire, building on the notion of political markets—parallel to product and resource markets—in which firms compete strategically to shape the regulatory environment in their favor (Bonardi, Hillman, and Keim, 2005). The emphasis is now on empathy or intelligence—on understanding the priorities of one's potential partners, forming fruitful alliances or agreements, and bargaining to achieve an outcome that bestows competitive advantage (Ahuja, 2000). The industry and geographic range of partners tends to be broader than that embraced within the conventional perspective.

The **relational** perspective further enlarges the toolkit to consider not merely economic and political vehicles for competing but social and ideological ones as well. The emphasis is on understanding all of the stakeholders in a firm's environment in order to most effectively gain their support and cooperation (Donaldson and Preston, 1995; Freeman *et al.,* 2010). A powerful device may now take the form of building an excellent reputation for socially responsible behavior, compiling an impressive record as a superb employer, or acting as a fine citizen in the community. Through such strategic actions a firm strives to enhance its reputational status relative to rivals and thus garner access to superior financial and human resources (Pfeffer, 2010). The result is a stronger and more sustainable presence in the marketplace. The dynamic aspects conveyed by the relational perspective include first-mover advantage and a tolerance for short-run sacrifice in order to build long-run strength. It is also possible that amassing a solid set of partners and resources through such proactive behavior will discourage rivals and potential rivals from challenging the firm.

The time horizon of interaction: short-termism versus sustainability

The **rivalrous** literature concentrates on competitive exchanges of brief duration, consistent with the Schumpeterian notion that competitive advantage is ephemeral (Smith *et al.,* 2001). Due in part to its restricted conception of competition, early research on dyadic interchanges between firms focused on tactical moves and countermoves (Yu and Cannella, 2007). Other conventional literature considered the drivers and performance implications of inertia or simplicity in a firm's strategic repertoire, typically over the course of a single year (Miller and Chen, 1996). Later scholars began to look at longer-term evolution in competitive repertoires (Ferrier, 2001), but the focus was still on an interval of a year or two.

The **competitive-cooperative** perspective too embraces a shorter-term focus, but it also looks at consequences for a longer horizon. The study of cooperation opened the way to consider alliances and agreements that could pay off only in the long run (Ahuja, 2000), as parties coordinate better and gradually come to trust one another (Gulati, 1995).

The **relational** view holds that actions taken at any given time may well have long-term repercussions (Ferrier and Lee, 2002): Thus, it is quite possible for a firm to take actions that in the short run are advantageous but in the more distant future may harm its reputation and resilience, and ultimately

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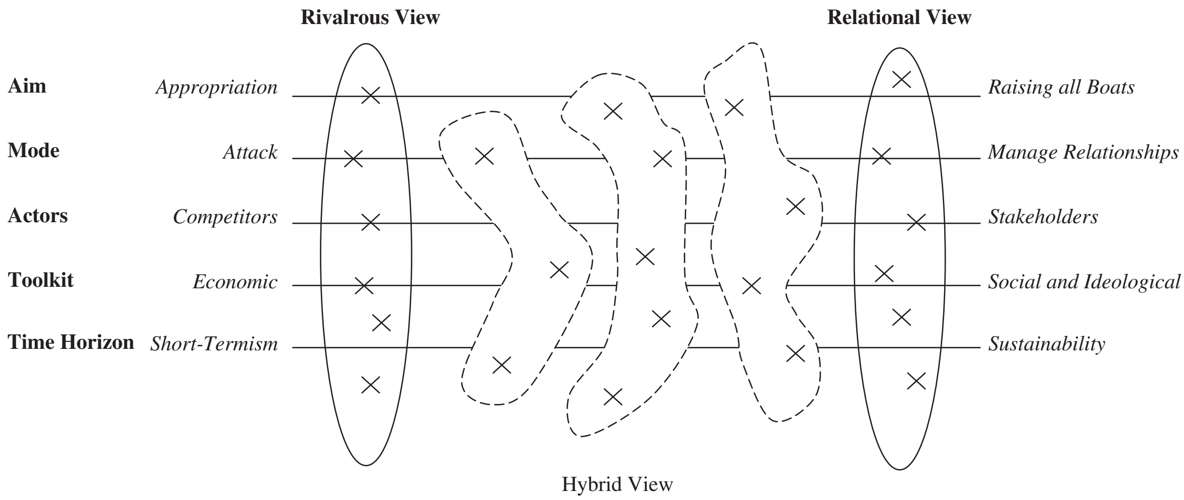

Figure 1. A multidimensional structure of competitive dynamics: three contrasting views

its market position (Chen and Miller, 2011). The reverse is also true: the exclusive pursuit of the long run may bring about dire short-term circumstances. The relational view embraces a multi-temporal view of competitive sustainability— outcomes that improve, rather than compromise, future prospects. The focal dynamic involves trading off short- and long-term initiatives and tailoring each to the competitive situation facing a firm.

For many decades Corning, the glass technologies giant, pre-empted competition via path-breaking innovation and a long-term mindset. It pioneered the first radio tubes for Marconi, the first TV tubes for General Sarnoff at RCA, and the first fiber optic cable. The last invention required 17 years of unrewarded investment. By pursuing this long-run orientation, Corning kept ahead of the competition, funding its innovation projects with revenues from its older products, to stay ahead of the game (Miller and Le Breton-Miller, 2005).

Figure 1 compares rivalrous, competitive-cooperative, and relational views along our five defining dimensions.

Contrasting views of competitive dynamics: rivalrous versus relational

At the two poles of our five dimensions lie the rivalrous and relational views. Compared with rivalrous competition, relational competitive dynamics stresses "lifting all boats" over appropriation, many stakeholders over rivals only, political, social, and ideological competition over that which is purely economic, and multi-temporal over short-term rivalry. These views have some common ground. As with rivalrous dynamics, the focus of relational competition is on interaction; the latter may occur at different levels and be influenced by micro and macro industry, cultural, and organizational factors, as discussed below (Chen and Miller, 2012).

On the one hand, the five dimensions may be interconnected. That is, firms may have a tendency to gravitate toward either relational or rivalrous poles along multiple dimensions (see Figure 1). For example, competing socially and ideologically is difficult in the absence of a longer-term perspective. On the other hand, at least in theory, the total number of possible multidimensional "configurations" even from our simplified framework is large (3 to the 5th power). Figure 1 provides a diagrammatic representation of the possibilities. At the two extremes are the rivalrous and relational perspectives. Between the two poles lie a variety of possible hybrids, including the competitive-cooperative view.

PROPOSITIONS CONCERNING THE DRIVERS AND CONSEQUENCES OF RELATIONAL VERSUS RIVALROUS COMPETITION

The relative prevalence and utility of the relational versus the rivalrous perspective are expected to vary according to context. In this section, we shall propose several features of an organization

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Table 2. A framework for relational propositions

	Awareness	Motivation	Capability
Organization	Organizational structure and systems	Firm governance, culture, incentives	Strategic resources and core capabilities
Industry	Physical proximity	Crisis and birth	Resource-rich environments
Culture	Upbringing and socialization	Values and mores	Experience and practice

that may both predispose and enable a firm to pursue relational modes of competition, followed by propositions concerning the conditions under which relational competition is most likely to enhance firm performance. In deriving these propositions we shall treat relational and rivalrous competition as integrated constructs or archetypes (Miller and Friesen, 1984) characterized by all five dimensional polarities described in the previous section. We do so for purposes of illustration and brevity, and because, as we will argue, there are natural interdependencies among these dimensions that give rise to relational and rivalrous archetypes (Miller, 1996). We acknowledge, however, that different dimensions may have different relationships with the drivers we propose, as some firms will blend aspects of rivalrous and relational approaches. Further theorizing and empirical validation will be required before we are able to draw dimension-specific predictions.

We use the AMC model (Chen and Miller, 2012) to formulate propositions regarding the tendency of actors to engage in relational competition. A number of dimensions contribute to the awareness of opportunities to compete relationally, and to the motivation and capability to do so. We have organized these into three generic categories, according to increasing levels of aggregation: organization, industry, and culture. According to our model, the choice between relational and rivalrous competition will be driven contingently by actors' *awareness* of the opportunities and threats surrounding these respective modes—be they made manifest by organizational processes and structures, industry characteristics, or factors relating to cultural socialization. Actors' *motivations* for a given choice will be driven by organizational incentives, industry crises and transformations, and cultural mores. Finally, actors' *capabilities* will be a function of organizational (or industry) resources and experience, as well as cultural and social connections. A multiplicative effect among awareness, motivation, and capability components is expected, such that when any are lacking, the selection of the related competitive mode will be suppressed (Chen and Miller, 1994). That interdependence should be borne in mind when considering our propositions. Table 2 presents an overview of our model.

Organization-level factors: governance, culture, and stakeholder relations

Awareness: organization structure and systems

Relational competition requires an especially astute awareness of the competitive landscape as more is demanded and also at stake in many competitive exchanges. Such cognizance must encompass not only threats from rivals and their competitive attitude, but also rivals' resource advantages and gaps, and their potential for collaboration (Chen, 1996). Relational competition also necessitates that firms understand the interests and strengths of other key stakeholders or potential partners, which might include trade associations, university research labs, and government trade agencies (Freeman *et al.,* 2010). The acquisition of knowledge concerning these parties relies on organizational systems and processes responsible for boundary-spanning activities, for example, decentralized and encompassing efforts at scanning the environment and bringing important information quickly to key decision makers (Smith *et al.,* 1991; Tushman, 1979). Much of the most revealing information should be qualitative (Aguilar, 1967). However, information gathering is of little benefit unless the right information comes to the appropriate decision makers at the right time. Typically, flat organization structures in which people have broad job definitions are best at accomplishing that (Galbraith, 1995). Centralized, formalized, hierarchical, and bureaucratic structures often will impede relational competition.

Proposition 1a: Under similar industry conditions, firms with distributed, encompassing, *and qualitative information processes and flat organizational structures are more likely to have the knowledge needed to engage in relational competition than firms with more hierarchical, bureaucratic structures.*

Motivation: organizational governance, culture, and incentives

The priorities of those who govern an organizations shape its mission and its culture. Many publicly traded Western firms are dominated by owners who hold their shares briefly and favor quick returns (Jacobs, 1993). These organizations often have “up or out,” pecuniary cultures in which top executives are rewarded for short-term gains (Sorkin, 2010). Given the time it takes to form relationships, such firms are apt to reject the idea of competing relationally.

Things are quite different where owners and managers take a *longer-term* view and value the substantial contributions of a firm and its sustainability; they realize that, in order for their firms to succeed in the long run, they must satisfy most of their key stakeholders. Corning and Li & Fung, both of which are family-owned and managed, enjoy relationships with suppliers and partners that have lasted more than a century (Graham and Shuldiner, 2002). A priority for both firms has been to build a motivated workforce eager to forge mutually beneficial relationships with clients and resource providers. The firms pursue exacting hiring and promotion practices to ensure that those appointed share firm goals and values (Pfeffer, 2010). Moreover, they craft reward and incentive schemes based on adding value to stakeholders rather than producing short-term financial results (Lumpkin and Brigham, 2011).

Proposition 1b: Firms whose owners and top managers adopt a long-term perspective and promote inclusive, cohesive, and nurturing cultures are more likely to be more willing to engage in relational as opposed to rivalrous competition. Many such firms are closely held by individuals or families.

Capabilities: strategic resource and core capability development

Relational competition may benefit in exceptional ways from an emphasis on assiduous resource building and resource management (Sirmon *et al.,* 2010). Firms that invest deeply in capability development—in superior equipment and processes, in acquiring advantageous locations, and in superior human resources—can evoke more loyalty from stakeholders (Helfat, 2007). An emphasis on selectivity in hiring talent, diligent training and development, and fostering a rewarding work environment to hold turnover to a minimum can make a firm more attractive as a relationship partner (Pfeffer, 2010). The resulting capabilities may help firms attract and engage with outside partners and compete on the basis of expertise and value-added offerings (Dyer and Chu, 2011).

There may be bidirectionality and a virtuous circle at work in developing relational and core capabilities. Firms that wish to focus on the latter will likely outsource some of their activities to concentrate on what they do best, thereby providing them with experience in and incentives for forming strategic alliances. Conversely, as core capabilities develop, they make it easier for firms to be seen as attractive partners (Dyer and Chu, 2011).

Proposition 1c: Firms investing most heavily in physical and human resources to develop core capabilities will be more likely to have the capacity to engage in relational as opposed to rivalrous competition.

Industry-level factors

Awareness: physical proximity

Attributes of economic geography have a role to play in enhancing awareness of opportunities for relational conduct (Semadeni, 2006). For example, the physical proximity of actors in clusters such as Boston’s Route 128 and in Silicon Valley creates opportunities for managers and scientists from competing companies to communicate and interact more freely (Jaffe, Trajtenberg, and Henderson, 1993; Porter, 1998; Saxenian, 1994), making them more aware of one another’s strengths and weaknesses and therefore of opportunities for forming complementary alliances. These clusters also attract specialized suppliers of resources such as scientific knowledge and venture capital. Moreover, they may serve as breeding grounds for entrepreneurial incubators and trade associations that serve as forums for exchange of information. Ultimately, the physical proximity of actors to rivals or suppliers of key resources may generate opportunities for communication, understanding, interaction, and therefore the initiation of joint projects that can benefit an entire industry (Glaeser *et al.,* 1992).

Motivation: crisis and birth

The birthing crises of industries in a developing economy can motivate relational conduct, as can a scarcity of resources. In the early days of Taiwan's personal computer industry, there were shortages of key supplies such as microchips. Acer, in order to ensure its own supplies, funded the creation of reliable suppliers for itself and also for its rivals (Chen and Miller, 2010), giving rise to an entire PC ecosystem—from the upstream semiconductor to the downstream peripheral components—for the industry and for Taiwan's national good. Similarly, when industries are facing crises, there is an incentive for firms to get together to set standards, renew technologies, and develop more appropriate business models, as in the case of American auto manufacturers after the recent economic crisis.

Capability: a resource-rich environment

Some industries reside in environments rich in human, physical, and knowledge resources, such as large urban centers, where there is abundant access to a variety of resource providers. Ease of access to resources can enhance firms' ability to form useful partnerships with these providers. In major cities, for example, there is the possibility of more contact with a diversity of actors and therefore more opportunity to form alliances (Glaeser *et al.,* 1992).

Paradoxically, in smaller communities where resources are scarce due to geographic or social isolation, necessity can drive close bonds among organizations with different functions and purposes. For example, Corning, which for over 150 years has operated in the small town of Corning, New York, has embraced a relational perspective evident in decades-old partnerships with suppliers and other firms that have contributed to its development of important new technologies (Graham and Shuldiner, 2002). Such organizations also depend greatly on the community, and vice versa, creating an interreliance that breeds emotional closeness, trust, and cooperation (Berrone *et al.,* 2010).

Proposition 2: Firms in industries that operate in dense clusters, that are nascent or in crisis, or that are located in resource-rich environments will be more apt to have the awareness, motivation, and capability to engage in relational as opposed to rivalrous competition.

Cultural factors

Awareness: upbringing and socialization

Distinctions between East and West highlight the impact that cultural individualism versus collectivism may have on relational competition (Chen, Chen, and Meindl, 1998). Traditionally, the Confucian state was composed not of isolated individuals but of a vast network of interconnected and interdependent parties. Ubiquitous socialization processes in the East ensure that there is constant monitoring of group- or system-wide needs to meet social expectations. Such a "collective" mindset and its associated practices have profound implications for interpersonal dealings, organizational interactions, and temporal considerations (Chen *et al.,* 1998). How an organization is perceived by and fits within its business and social contexts is critical, and its relationships with stakeholders, competitors included, are instrumental in ensuring a positive image and reputation (Chen and Miller, 2011). Given this more acute social awareness, firms tend to seek out opportunities that are less disruptive or challenging to others, beneficial to themselves and others (including competitors), and sustainable economically and socially.

Motivation: values and mores

In a collective culture, corporate decisions and behaviors are often driven by concerns for the overall benefit of the group. Well-established cultural mores, values, and taboos constitute the rewards and punishments that motivate relational thinking (Chen *et al.,* 1998). In the East, aggressive competition makes enemies, attracts adverse attention, and can sully reputation. There are strong incentives to avoid head-on rivalry, unlike in the West where direct combat is often admired (Freeman, 1984; Freeman *et al.,* 2010; Jacobs, 1993). Because it takes time to build competitive assets such as trust and reputation, many firms in the East adopt a more conciliatory and value-creating mode of competition. This may involve soliciting feedback from key parties and moving incrementally toward a solution

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that satisfies a majority. Firms also attempt to operate in accordance with the expectations of stakeholders who are instrumental to their legitimacy (Chen, 2008), producing in a less confrontational mode of competition.

Capability: experience and practice

Given the well-socialized and well-practiced habits of monitoring the reactions of others, many Eastern executives have developed the social and interpersonal skills to compete relationally (Chen and Miller, 2011). Compared to their counterparts in more individualistic cultures, organizations and individuals in a collective society are more accustomed to considering group viewpoints, or the perspectives of others. Many firms in this cultural environment develop the capability to build and capitalize on a vast web of business and social relationships. They cultivate cultural and social skills that nurture mutually beneficial relationships among many partners and key stakeholders. For example, Acer's global expansion strategy of embracing local partners and taking only minority ownership in the countries it enters serves to build organizational capabilities for competing relationally. By allowing its partners to retain control, Acer shows considerable goodwill and engenders mutual trust in its relationships.

> *Proposition 3: Due to their higher levels of relational awareness, motivation, and capability, firms from the East (and from collective cultures) will be more likely to engage in relational as opposed to rivalrous competition than firms in the West (or from individualistic cultures).*

Relational competition and performance

Competing relationally may not always meet with the best results. Below, we propose some of the contexts and conditions that help relational competition to succeed.

First, it is useful to define the nature of the results one might expect from relational as opposed to combative competition. We would not expect quick returns, rapid growth, or instant victories. Relational competition often entails competing for the long term—making investments in ideas, capabilities, and relationships that pay off over time. Therefore, we would expect relational competition to show steady and enduring improvements in performance (James, 1999). Performance might be reflected at first in substantive outcomes such as better relationships with stakeholders, higher-quality or more desirable products and services, and more motivated and talented employees, followed by growth and increase in market share and, finally, by bottom-line returns and, for publicly traded firms, enhanced market valuations (Laverty, 1996; Miller and Sardais, 2011).

> *Proposition 4a: Compared with rivalrous competition, relational competition will tend to show performance improvements over the long run, first in substantive outcomes, then in growth, and finally in profitability.*

To succeed, relational competition requires constancy as well as consistency in behavior across different parts of the organization and for multiple stakeholders (Freeman, 1984). Without persistently diligent conduct, the ability to develop capabilities and trusting relationships is absent. Without consistency of behavior across interactions and relationships, credibility and therefore the trust of key stakeholders may be lost. The onus on the governance, leadership, and culture of the organization to ensure such consistency is considerable, reinforcing our arguments in the previous section concerning the importance of cultural and organizational characteristics.

> *Proposition 4b: Compared with firms engaging in rivalrous competition, firms engaging in relational competition will show performance improvements only when they implement their practices consistently over time and across interactions, relationships, and stakeholders.*

Firms competing in the East may well be required to adopt relational modes of competition in order to do well. There, many forms of head-on competition would be deemed socially unacceptable, whereas developing legitimacy through personal connections and partnerships might be essential (Chen and Miller, 2011).

Context also comes into play at the firm level. Some large companies are highly visible; confrontational competitive aggressiveness can get them into trouble. Microsoft and IBM are firms whose competitive aggression resulted in antitrust cases and

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negative publicity: perhaps a relational approach would have been more productive. Paradoxically, the smaller firms in an industry also might benefit from competing relationally. Their size makes it difficult for them to amass the resources required for aggressive competition, and indirect and subtle maneuvers are less likely to elicit dangerous retaliation (McGrath *et al.,* 1998).

The governance, leadership, and culture of an organization may also influence the extent to which it can effectively compete relationally. Organizations with cultures that reward managers on the basis of short-term achievements will be unlikely to succeed with a relational strategy (James, 1999; Laverty, 1996). Impatience and inconsistency may be especially common in situations in which owners pursue regular quarterly returns or rapid growth, and in which they reward top executives on the basis of their abilities to produce such results (Jacobs, 1993).

Proposition 4c: Relational competition will produce the best results in collective national cultures, in socioeconomically sensitive industries, and in very large organizations, relatively small organizations, and patiently governed and managed organizations.

DISCUSSION

In reconceptualizing competitive dynamics, we have distilled five defining dimensions to structure and systematize the field in order to lay bare its foundations and further identify its varieties. We use these five dimensions to outline a range of competitive options and to advance a relational view of competition. Specifically, by building on prior work by Baum and Korn (1996), Chen and Miller (2012), Dyer and Singh (1998), Ferrier (2001), Gimeno (2004), Markman *et al.* (2009), Tsai *et al.* (2011), and others, we broaden and make more concrete the theoretical foundations of competitive dynamics. By proposing a much-needed structure for the field, the paper conceptualizes the fundamental elements of competitive dynamics and the variety of terms of engagement among market players. Inattention to these issues has restricted the dialogue between competitive dynamics and other areas of organizational and strategy research. Moreover, using the AMC model, we generate propositions regarding the sources and performance consequences of relational versus rivalrous competition to advance the scope and precision of future competitive dynamics research.

Connections to other theories

Our framework maps out a spectrum of competitive options, and in so doing offers a platform both for research, as noted above, and for connection with useful conceptual and practical managerial frameworks, among them the configuration approach, transaction-cost economics, and stakeholder theory. Such connections have been neglected by scholars of competitive dynamics due to a failure to specify terms of engagement, yet these links could be developed using our framework to provide insight and facilitate theory building.

Gestalts and configurations

A key question underlying the multidimensional framework is whether its five dimensions are likely to be highly interdependent. We suspect they are apt to configure into thematic “gestalts” in which “the whole is greater than the sum of the parts”; that is, once some dimensions of an approach are adopted, others are likely to follow to achieve both thematic consistency and operational functionality (Fiss, 2007; Miller, 1996; Miller and Friesen, 1984). This is because a theme such as relational interaction orchestrates various components such as consideration of multiple stakeholders, adding value for them, and competing using social and ideological weapons. Moreover, the elements of a configuration tend to be functionally interdependent (Milgrom and Roberts, 1990). For example, firms that compete by creating value will have to enlist their employees’ initiative and creativity (Pfeffer, 2010). Moreover, if value creation is a priority, competing on the basis of ideas and enlisting multiple stakeholders will be required. Such linkages and interactions make it likely that relational and rivalrous gestalts will surface regularly, and thus are worthy of further research in competition.

Transaction-cost economics

Firms in many situations may combine rivalrous and relational modes of competing. They can remain tactical and independent in some areas of rivalry and compete relationally in others. In some ways, the rivalrous approach of traditional

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competitive dynamics evokes market-based competition—transactional, short-term, and useful when results are predictable to a powerful focal actor. By contrast, relational competition, because it brings stakeholders together in a closer, more symbiotic, more enduring relationship, improves monitoring and coordination capability within a relationship and aligns incentives and trust among parties. That relationship shares advantages with those attributed by Williamson (1975) to hierarchy; indeed, hierarchies and thus relational modes do best under very different conditions than market-based and confrontational modes (Williamson, 1975, 1985). The former, he argues, may reduce transaction costs and therefore could be especially useful in uncertain situations and where there is intentional deception, information asymmetries, and considerable risk of opportunism. These conditions commonly confront firms producing complex products for dynamic, heterogeneous markets. Relational competition may overcome some of these obstacles to the benefit of all parties. It would be useful to test these notions.

The stakeholder view

Although the relational view of competitive dynamics is in some ways consistent with the stakeholder and corporate social responsibility (CSR) perspectives (Freeman *et al.,* 2010; Hillman and Keim, 2001), there are fundamental differences. The similarities, clearly, are that relational competitive dynamics, like CSR, considers multiple stakeholders in developing competitive initiatives, and strives, where possible, to achieve win-win relationships with them. The stakeholder and CSR perspectives, however, are built on moral and philosophical guidelines—on doing the right thing for the greatest number, which in essence is a utilitarian rationale (Donaldson and Preston, 1995).

The relational competitive view is more modest and less normative in its objectives than the stakeholder theory. First, it focuses on interactions in the marketplace rather than on the complete repertoire of firm behavior. Second, it emphasizes that contributions to stakeholders are instrumental in achieving organizational aims rather than social objectives; ultimately, competitive initiatives have as their primary object the long-term success of a firm rather than general social welfare or economic value creation. Most importantly, relational competitive dynamics is not intended as a normative posture. Competing relationally is a potentially useful option, but not a panacea. It may be valuable in some situations, but less beneficial in others. Finally, CSR does not address the dynamics of stakeholder interactions—the need, for example, to balance different tools over time depending upon prevailing competitive challenges, or the importance of trading off short-term sacrifices for long-term gains, and vice versa.

Most papers investigating the relationship between social and financial performance (Barnett and Salomon, 2012) implicitly assume that a firm's policies are enacted throughout an organization, and that stakeholders behave in predictable ways in response to these policies. The relational competitive view, which takes a dynamic perspective of firm/stakeholder interactions, might help us to better understand the conditions under which a relational approach can be effective in achieving organizational aims, and to identify certain contextual factors that might support or impede cooperation between firms.

Co-opetition

Brandenburger and Nalebuff (1996) defined "co-opete" as "competing without having to kill the opposition and cooperating without having to ignore self-interest." Lado, Boyd, and Hanlon (1997) argued that the combination of competitive and cooperative strategies will create a higher overall "syncretic" rent for a firm. A steady stream of studies has linked co-opetition to a wide range of topics such as organizational learning (Dussauge *et al.,* 2000) and intraorganizational knowledge sharing (Tsai, 2002). A fundamental challenge of this research domain is how to transcend the divides and dichotomies between competition and cooperation (Chen, 2008; Smith, Carroll, and Ashford, 1995). What this research lacks is a broader consideration of stakeholders, especially employees, suppliers and regulators, and an evaluation of nonfinancial objectives. Our framework raises some interesting questions for the further conceptualization of co-opetition; perhaps most critically, does co-opetition imply equal degrees of competition and cooperation, and under what conditions must the balance shift between competitive-cooperative, rivalrous, and relational modes? Also, our perspective would suggest that the notion of co-opetition can be extended to a wider collection of stakeholders at any point along

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the value chain, including all of those able to confer institutional legitimacy.

Future directions

A central task in furthering the relational perspective will be to determine whether our propositions are empirically valid. Does the AMC model, as we have presented it, help to predict when firms will compete relationally? How does the relational perspective manifest within particular organizational forms, such as family businesses and start-ups, and across different cultural contexts? Do the performance consequences of our later propositions apply in the specified range of contexts? What are the performance implications of relational versus traditional competitive dynamics in different cultural, industrial, and organizational settings? Are the benefits financial or nonfinancial; are they broadly shared or narrowly allocated?

Answering these questions will require some effort. The first hurdle will be to operationalize relational competition. One approach might be to concentrate on each of the different components of that competition: the time horizons employed, the stakeholders served, the aims of the interaction, and the action toolkit. One could investigate whether some of the governance, cultural, and organizational factors we mentioned have an impact on each of these elements of relational competition or on an overall relational configuration. One also might examine the various performance consequences of relational competition—financial and nonfinancial, short-term and long-term—and determine the extent to which they surface in different contexts. For example, when will relational modes of competition be more apt than rivalrous modes to preclude retaliation? Can firms use short-term attacks of appropriation to achieve positive long-run results (Young *et al.,* 1996), or are such results only the product of patient, relational approaches (Chen and Miller, 2011)? How can a firm cooperate with its competitors to maximize benefit to "lift all boats" for the broader community—and what are the challenges of sequencing and the trade-offs that have to be made in the process?

It will also be useful to determine empirically what the relationships are among our five dimensions, as well as the drivers and normative consequences of those relationships. For example, researchers might wish to establish how the dimensions we have used to structure competitive dynamics combine to form archetypal modes of competition. Certainly, many firms might be expected to choose selectively among the five dimensions and explore the intermediate range, rather than adhere strictly to either of the purely rivalrous or relational archetypes we have presented. It is important also to explore normative implications: are purely relational polarities across all five dimensions more effective than hybrids? What are their respective benefits, and how are these shared across different types of stakeholders?

Finally, AMC, as we have suggested, can prove to be a useful framework for identifying not only competitors but cooperative partners—indeed, because of the "relational" orientation of competitive dynamics, the AMC perspective may be used for both competitive and cooperative analyses and applications (Chen, 2014). Whereas the types of actions in a competitive relationship differ from those in a cooperation-seeking setting, the causal mechanisms associated with awareness, motivation, and capability could be quite similar in both cases. How these AMC components take effect individually and collectively in different contexts, and for different types of actions, merits future research.

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