This is an article from the following conference:

Prior, Daniel and Buttle, Francies 2006 'A Holistic model of competitive advantage: integrating the IMP perspective', In ANZMAC 2006 Abstracts & programme: Brisbane, Queensland 4-6 December 2006: advancing theory, maintaining relevance, pp. 1-10

Access to the published version:

A Holistic Model of Competitive Advantage: Integrating the IMP Perspective

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Abstract

Linking aspects of relationships with some measure of competitive advantage has become a growing topic of interest for marketing and strategy scholars. Studies in this area have focussed on trust, commitment, mutual goals, power, social bonding, transaction costs, information exchange, idiosyncratic investment and governance, each of which have been shown to influence the incidence of relationship-based competitive advantage (Morgan and Hunt, 1999). However, only two authors have attempted to conceptualise relationship-based competitive advantage in a holistic sense (Jap, 1999, 2001; Wilson, 1995). We present a new model that integrates the IMP (Industrial Marketing and Purchasing) group’s perspective on business-to-business (B2B) relationships into current thinking on relationship-based competitive advantage.

Introduction

The hypothesis that inter-firm-relationships can provide a basis for competitive advantage has received considerable interest in the literature. A number of studies have attempted to explain this phenomenon (Morgan and Hunt, 1999). Relationship attributes such as trust, commitment, mutual goals, power, social bonding, transaction costs, information exchange, idiosyncratic investment and governance have all been shown to influence the incidence of relationship-based competitive advantage (Jap, 1999, 2001; Morgan and Hunt, 1994, 1999; Wilson, 1995). However, there have only been two attempts to explain, holistically, the incidence of relationship-based competitive advantage. These were contributed by Jap (2001) and Wilson (1995). In our judgement, both models omit key variables and only have limited applicability. Both models use measures of competitive advantage that suffer from severe limitations. We believe that this presents an opportunity to articulate an alternative, holistic model of relationship-based competitive advantage.

The IMP View of B2B Relationships

The Industrial Marketing and Purchasing school’s perspective on B2B relationships presents a unique viewpoint on the major components and characteristics of relationships. One of the major typologies developed by the IMP school to describe the “substance of a relationship” (Ford, Håkansson and Snehota, 2003) is the ‘BRA’ framework, which characterises relationships as consisting of 3 major variables: Bonds between actors, Resource ties between firms and Activities of network members (Buttle, 2004).
Actors are individuals, work groups or companies. Actor bonds evolve over time as a result of the characters of respective actors and their ability to identify and create situations of mutual benefit (Håkansson and Snehota, 1995). One topic of interest in this area of research is the social bonding that takes place between individual actors of partner firms (Wilson, 1995). Inter-personal relationships are seen to be the backbone of actor bonds. Attributes of relationships that can be influenced by actor bonds include inter-personal power, commitment, trust, and goal mutuality. These factors can be treated both as attributes of relationships and as outcomes of the ongoing exchanges that occur between partners. The adaptation of relationships over time and the initiation of relationships are of the major topics found throughout this branch of research (Hallen, Johanson and Seyed-Mohamed, 1991; Huat Low, 1997; Wilson, 1995). Behavioural research in this area has tended to focus more on trust, commitment, relationship intention and the ability of relationships to endure indefinitely (Aijo, 1996; Bonnin, Segard and Vialle, 2005; Chaston, Badger and Sadler-Smith, 2000; Christopher, Payne and Ballantyne, 1991; Chiung-Ju and Wen-Hung, 2006; Dyer, 1997; Dyer and Chu, 2003; Geyskens Steenkamp and Scheer, 1996; Gummesson, 1996; Morgan and Hunt, 1994).

An activity is any interaction between parties on either side of a dyad. Order-processing and complaint-handling are examples. “Activity links can be defined as a sequence of acts directed towards a purpose” (Håkansson and Snehota, 1995). Research in this area has focussed on the costs and behaviours involved in relationships, as well as activity interdependencies and the synchronization and matching of activities (Håkansson and Snehota, 1995). Research into the cost of activity links has generally focussed on the transaction costs involved in those activities, including ex post and ex ante costs (Bharadwaj and Matsuno, 2006; Dyer, 1997; Dyer and Chu, 2003).

A resource tie involves the investment of some resource to one or more activities that link actors. Research on resource ties between firms has largely focussed on the role of resource scarcity, resource development and the co-usage of those resources (Dyer, 1997; Hunt and Lambe, 2000; Schroeder, Bates and Junntila, 2002). Much of the research in this area has utilised the resource-based view of the firm as its theoretical underpinning. Indeed, relationships have been conceptualised as a key ‘resource’ in the pursuit of competitive advantage (Morgan and Hunt, 1999). Resource embeddedness has been a topic of interest, with resources being more embedded in situations where they have been adapted to very specific purposes and/or partners (Amit and Schoemaker, 1993; Dyer, 1996, 1997; Lusch and Brown, 1996).

The IMP school goes beyond the inter-organizational dyad to consider the totality of actor Bonds, Resource ties and Activity links that connect members of a network. All firms occupy a ‘network position’ that is the sum total of the BRA conditions that connect members of the firm’s network. Some firms benefit from attaining a strategically advantageous position within a network of other firms (Buttle, 2004). That is, within a business network, the relationships between some actors, the performance of some activities and the investment of some resources may ultimately lead to a network position that is superior to others. Since the IMP school is more focussed on B2B relationships, it has not produced a significant contribution to the study of competitive advantage. The strategic management literature, on the other hand, contains a vast exploration of the sustainable competitive advantage concept.
Competitive Advantage

The pursuit of sustainable competitive advantage is a common aim for commercial enterprise due to the perceived link between this condition and extraordinary performance. It is commonly accepted that if a competitive advantage can be established and maintained, rivals will be unable to continue their activities in a viable manner and, as such, the focal firm will benefit (Barney, 1991; Coyne, 1986a, 1986b). Explaining the incidence of competitive advantage has become the topic of three alternative literature streams within the strategic management discipline. These include: the industry view of the firm (IV), the resource-based view of the firm (RBV), and the relational view (RV) of the firm. While the industry view and the resource-based views have received a great deal of attention in the competitive advantage literature, the relational view has not.

Proponents of the IV support the notion that competitive advantages are derived from positional advantages held within an industry (Caves and Ghemawat, 1992; Caves and Porter, 1977; Fiegenbaum and Thomas, 1990; Hatten, Schendel, and Cooper 1978; Porter 1980, 1985). These advantages result from the manipulation of mobility barriers within the industry. This manipulation occurs from the pursuit of differentiation-based or cost leadership-based generic strategies and is often accompanied by a firm’s membership of a strategic group. This view has been the predominant explanation for competitive advantage since the early 1980s.

Proponents of the RBV, on the other hand, argue that competitive advantages are determined by the unique skills and resources controlled by the firm (Barney, 1991; Penrose, 1959; Wernerfelt, 1984). The definition of ‘resources’ varies, depending on the literature source, but some definitions suggest that resources are ‘anything which could be considered a strength of the firm’ (Wernerfelt, 1984). Other definitions have been more categorical, suggesting that resources could be considered as physical assets, human assets, and administrative assets (Amit and Schoemaker, 1993; Penrose, 1959; Williamson 1975,1985, 1996). This confusion has led to the development of the two major sub-literature streams contained in the RBV. These are the competency and capabilities literatures, and the strategic factor literature. The competency and capabilities literature is based on the notion that firms combine resources in unique bundles to pursue competitive advantage and, as such, resources are seen as forming part of a broad framework (Prencipe, 2001; Winter, 2003). The strategic factor literature, on the other hand, is based more on the notion that resources hold their value on an individual basis and, as such, can be traded in factor markets (Amit and Schoemaker, 1993; Barney, 1986; Dierickx and Cool, 1989). Barney (1991) argues that if resources meet the conditions of being valuable, rare, non-imitable, and non-substitutable, they are a source of sustainable competitive advantage. The RBV has gained greater prominence since the mid 1990s.

Lastly, proponents of the relational view argue that strategic relationships between the firm and its various stakeholders act as the major determinants of competitive advantage. The relational view of the firm was first articulated by Dyer and Singh (1998) and contains the argument that partner-specific asset investments, knowledge sharing routines, asset complementarity and governance structures all positively contribute to sustainable competitive advantage. The benefits of relationships are seen to be the creation of competitive barriers, the reduction of inter-firm transaction costs and the greater incidence of inter-firm innovations (Dyer, 1996, 1997; Dyer and
The concept of sustainable competitive advantage has received a number of criticisms. Some authors propose that the link between competitive advantage and performance is not proven due to vagaries of the terminology used and the lack of empirical support (Arend, 2003; Coff, 1999; Durand, 2002; Powell, 2001; Prior, 2006). To cope with this problem, the senior author has developed an alternative archetype of competitive advantage. It is based on the notion that competitive advantages directly result in damage to competitors. This damage should be seen as evidence of competitive advantage rather than changes in the focal firm’s performance indicators (Prior, 2006). Advantages can be classified as innovation-based, efficiency-based or monopoly-based. Innovation-based (Shumpeterian) advantages are those advantages that result from producing new technologies or capitalising on market(ing) opportunities that deny competitor access to these. Efficiency-based (Ricardian) advantages result from learning curve effects and economies of scale, and ultimately lead to the ability to create products for lower cost per unit thus denying competitors the opportunity to either be as profitable or to exploit lower cost positions in the market. Monopoly-based advantages are a result of securing a market position that leads to domination of the sources of supply or of customers, thus denying competitors access to these. It is argued that competitive advantages will result in better ability to satisfy the firm’s target market over the long term, if resulting from a capability differential between the firm and competitors (Coyne, 1986a, 1986b).

<table>
<thead>
<tr>
<th>Source of Advantage</th>
<th>Monopoly Advantages</th>
<th>Schumpeterian Advantages</th>
<th>Ricardian Advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry dominance</td>
<td>Limiting supply of products/ services to rivals and to customers</td>
<td>Entrepreneurial activities and/ or innovation</td>
<td>Improved resource efficiencies</td>
</tr>
<tr>
<td>Results from limited supply</td>
<td>Capitalising on untapped market opportunities</td>
<td>Improved cost management</td>
<td></td>
</tr>
<tr>
<td>Results from heterogeneous demand</td>
<td>Improved resource efficiencies</td>
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<tr>
<td>Limited options, premium prices</td>
<td>Innovative new products and/ or services</td>
<td>Better value for money</td>
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<tr>
<td>Medium – advantage lasts as long as the firms products/ services do not become obsolescent</td>
<td>First mover advantages could endure for the medium to long-term.</td>
<td>Price-based competition leads to short-lived advantages</td>
<td></td>
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</tbody>
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Reproduced from (Prior, 2006).

**An Alternative View of Relationship-based Competitive Advantage**

The majority of attempts to conceptualise relationship-based competitive advantage have focussed on only a handful of variables (as discussed during the introductory paragraphs). The study of only one or two variables, however, does not allow for the complex nature of inter-firm relationships. In response to this narrowness, Jap (2001)
and Wilson (1995) have both created models that attempt to encompass the variety of
different influences on relationship-based competitive advantage. Their models,
however, suffer from a lack of fluidity and do not entirely achieve the goal of being
holistic models since key variables are ignored. It is apparent that traditional notions
of firm borders have informed these models. Also, they encompass crude measures of
competitive advantage. This has resulted in a significant gap in the literature
regarding our fundamental understanding of relationship-based competitive advantage
from a holistic perspective.

Using the theoretical underpinnings proposed by the IMP school, and the
conceptualisation of competitive advantage discussed in the previous section, Figure 1
illustrates an alternative view of relationship-based competitive advantage. Figure 1
integrates the IMP’s perspective on the substance of business relationships, in
particular the BRA framework. Relationship attributes such as trust, commitment,
mutual goals, power and social bonding are associated with actor bonds. Activity
links are associated with inter-firm knowledge exchange and transaction costs.
Resource ties are evident in relationship investments and inter-firm governance
structures. Each of these characteristics is seen to influence the incidence of
competitive advantage by contributing to inter-relational cultures that are more likely
to lead to innovation, entrepreneurship, efficiency and market power.

**Figure 1: An Alternative View of Relationship-based Competitive Advantage**

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**Conclusion**

Overall, this alternative model of relationship-based competitive advantage is a step
forward in holistically conceptualising relationship-based competitive advantage. The
integration of the ‘BRA’ framework with the author’s own views on competitive
advantage offers a more fluid and elegant perspective on relationship-based competitive advantage than has previously been conceived. We propose to develop the model further by more precisely identifying indicators of the 3 latent, BRA, variables and the dependent variables before embarking on calibration and measurement.
References


Hatten, K.J. and Hatten, M.L. (1987) Strategic Groups, Asymmetrical Mobility


