DISENTANGLING COMPETITIVE ADVANTAGE AND SUPERIOR PERFORMANCE AND THEIR ROLES IN ENTERPRISE TRANSFORMATION

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Enterprise transformation is often triggered by financial performance deficiencies, i.e., anticipated or experienced transitions from superior performance to inferior performance. These deficiencies are due to a lack, or a loss, of competitive advantage. Transitioning back to superior performance usually requires that enterprises invest in regaining competitive advantage in one form or another. Unfortunately, the literature conflates advantage and performance, indicating that superior performance inherently implies competitive advantage, suggesting, for instance, that winning is due to the ability to win. This is akin to the ancient Greeks’ assertion that objects fall to earth because they have tendencies to fall. To gain true strategic insight, we need to disentangle competitive advantage and superior performance. This article explores the way in which an enterprise accomplishes transitions in the financial performance space by investing in particular competitive strategies, such as refined market segmentation, diversification of offerings, and increased operational efficiency. The article proposes that the analysis of transitions in firm performance can validate insights into the underlying competitive advantage. We can therefore infer the kind of competitive advantage that would enable enterprise transformation in a given context.

Keywords competitive advantage; superior performance; multidimensional models; potential performance; enterprise transformation; performance deficiencies; markets; offerings; perceptions; operations

INTRODUCTION

This article provides an account of the distinctive roles played by competitive advantage (CA) and superior performance (SP) as they relate to enterprise transformation (ET). We argue that, while always context-dependent,
ET is increasingly driven by forms of CA that are often rooted in intangible factors, such as vision, knowledge, and innovation, that are flexible enough to respond to the demands of turbulent markets.

In a previous paper, we proposed that a multidimensional approach to SP allows for a more comprehensive measurement, including the estimation of future potential performance (McCarthy, Rouse, and Serban, 2014). In the present article, we draw upon this multidimensional approach so as to analyze transitions in firm performance, with reference to its Realized and Potential dimensions, and provide insights into the nature of the underlying CA.

When a company achieves SP relative to its rivals, beyond an improvement to ongoing operations, it may be said to have achieved success in ET. Successful ET is evident in transitions to SP in its Realized and Potential dimensions. SP, in turn, usually exploits a CA, one or more attributes of advantage that a firm holds over its competitors, typically driven by both intangible capabilities, and tangible resources.

ET is distinct from incremental change. Nevertheless, there are degrees of transformation, ranging from a foray into new markets to the adoption of new work processes, a lesser form of transformation that is closer to incremental improvement but still involves sufficient discontinuity in operation to be classified as ET. The CA that enables ET will vary depending on whether the transformation in question involves changing markets, changing offerings, changing perceptions, or changing operations (Rouse, 2006). Thus, the concern is not only with gaining SP but also enabling ET through CA.

We initially explore the nature of CA using the case of electronics retailer, Best Buy, along with brief references to the histories of several other firms, representative of the forms of ET and of the underlying forms of CA. Our choice of case-based methodology reflects our position that CA is, to a large extent, founded on intangible factors that are finely attuned to the dynamics of the relationships that make up a specific competitive context (Ma, 2000; Pieterson, 2010).

We then expand our focus to a study of 397 firms over a 10-year period, to gain insight into the kind of CA that underlies transitions into SP, including those radical transitions that constitute ET. Finally, we explore the range of forms of CA that enable ET.

**COMPETITIVE ADVANTAGE**

CA is distinct from SP. CA does not always lead to SP—nor is SP due to CA in every instance. CA only leads to SP when it is effectively exploited. Also, SP can sometimes be attributed to exogenous factors, rather than CA. Granted, in some situations it might be argued that a well-timed and effective
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response to environmental or legislative factors reflects exploitative abilities that form a part of CA. In other cases, an enterprise may possess a CA but environmental or legislative factors prevent its exploitation as SP.

The case of John Stevens and his steam propulsion technology offers an example of CA that did not, because of exogenous factors at work in a given competitive context, lead to SP. Subsequently, in another context the CA in question was, however, successfully exploited to lead to SP. Stevens envisioned a ferry service that operated on the Hudson between New York City and Hoboken. In 1802, Stevens was the first to apply a powered screw technology to steamboat propulsion. In 1803, he patented a multi-tubular boiler. Subsequently, in 1804, he designed an improved twin-screw steamboat capable of navigating the strong currents of the Hudson. Motivated by a concern for safety, Stevens designed an engine with lower steam pressure, suitable for use with a paddle-wheeled boat. Despite these innovations, however, another inventor, Robert Fulton, launched a paddle wheeler in 1807, 2 years before Stevens launched his technologically superior craft. Via political connections with the powerful Robert Livingston, Fulton had been granted monopoly rights to operate steamboats on the Hudson. Stevens consequently took his steamboat to Philadelphia, and by 1811 operated the first ever ocean going steamboat service. This example illustrates the point that CA does not inevitably lead to SP. In this case Stevens possessed CA but, in the New York–Hoboken context, it could not, for legal reasons, lead to SP. Fulton on the other hand attained SP, not so much due to a technological CA as due to a government-granted monopoly that was later deemed illegal by the U.S. Supreme Court (www.britannica.com).

Despite the distinction that was illustrated in the Stevens–Fulton case, the strategy literature has tended to conflate advantage and performance. Ma (2000) states with reference to Porter’s structural approach (Porter, 1985), and the resource-based view (Barney, 2002; Rumelt, 1984; Wernerfelt, 1984), that “neither perspective readily differentiates competitive advantage from superior performance.” The literature often considers SP to be an outcome of an undifferentiated CA, as suggested by Porter’s work, Competitive Advantage: Creating and Sustaining Superior Performance (Porter, 1985). This in itself offers no insight into the composition of CA in a given competitive context. CA can vary greatly from context to context, and in some instances SP may be driven by industry-level factors, such as government interventions or an environmental event, more than by a firm-level CA.

CA can be distinguished from Realized SP, since Realized SP can be quantifiably measured, for example, as current profits. In contrast, CA often cannot be assigned a dollar amount (Lönnqvist, 2002). CA can be difficult to monetize because it is driven by intangible factors, such as capabilities, but also because of tangible factors that are difficult to quantify. For example, the Erie Canal provided a huge CA for New York City. Although very tangible, it would be difficult to quantify.
We defined Realized SP as the rate of return difference between the firm and the industry median, RoIC of the firm minus the industry’s median RoIC (McCarthy et al., 2014). \( \text{RoIC} = \frac{\text{NOPLAT}}{\text{InvestedCapital}} \), where NOPLAT is the net operating profit less adjusted taxes and Invested Capital provided by debt and equity investors. The distinction between CA and SP may seem less obvious in relation to Potential SP. Yet, even in this case, Potential SP can be quantifiably estimated so as to provide a solid basis for strategic decision-making. We defined Potential SP as the difference between the future value (FV) of the firm and the FV average of the industry (McCarthy et al., 2014):

\[
\text{FV} = \text{EV} - \text{CV} = \text{EV} - \left[ \frac{\text{NOPLAT}}{\text{WACC}} \right],
\]

where EV represents the value of the enterprise, EV = market value of debt + market capitalization of common and preferred shares. CV (current value) reflects the value of the current operations into perpetuity. This is achieved by showing the value of current NOPLAT in perpetuity, where WACC is the Weighted Average Cost of Capital.

For the most part, attempts to measure CA actually measure profit instead (Rumelt, 2003). Peteraf (1993), for example, defines CA as “sustained above normal returns.” Also, conflating CA with performance, Barney (2002) suggests that “a firm experiences competitive advantages when its actions in an industry or market create economic value. . . .” Likewise, Ghemawat and Rivkin (1999) argue that “A firm such as Nucor that earns superior financial returns within its industry (or its strategic group) over the long run is said to enjoy a competitive advantage over its rivals.”

Grant (2010) defines CA stating, “When two or more firms compete within the same market, one firm possesses a competitive advantage over its rivals when it earns (or has the potential to earn) a persistently higher rate of profit.” Grant’s definition views CA as the ability to earn a persistently higher return than rivals, whether or not this ability has yet been exploited. Grant’s reference to higher profit may also conflates CA and SP. To include profit in both SP and CA confounds the two constructs. Little explanatory power is gained in this way.

This confusion has led to a call for greater definitional clarity (Lakatos and Musgrave, 1970; Lieberman, 2009; Powell, 2001). Rumelt (2003) poses the question, “What in the world is competitive advantage?” The same author concludes, “The strategy area is in need of a clear definition of competitive advantage, or it needs to stop employing a concept that cannot be defined” (Rumelt, 2003). A related question that needs an answer is why the conflation of CA and SP has often been tacitly accepted. The answer may be that SP can be quantifiably measured and forecasted, whereas CA, usually including intangible factors, must be considered in qualitative rather than quantitative
terms. As such, CA is less amenable than SP to the quantitative mindset, and SP tends to be adopted, albeit ill advisedly, as a proxy for CA. This cannot lead to insight into CA.

Porter’s distinction between “low cost” and “differentiation” strategies can also help to distinguish two broad forms of CA (Porter, 1985). A low-cost strategy seeks to attain CA by selling a product at the average industry price and making a higher than average profit, or else it aims to sell a product below the industry average price so as to gain market share. Differentiation strategies, as described by Porter, seek to build CA by distinguishing the quality of their product in the perception of customers (Porter, 1985). It is the competitive context that decides what form of strategy and CA is likely to be successfully exploited as SP.

Figure 1 depicts the complex relationship between the concepts of SP and CA. The basic premise is that CA, if exploited successfully, can lead to SP, but is not synonymous with it. SP, in turn, provides resources that enable investments and expenditures to sustain and enhance CA. However, there are very few situations where simply having money, but not using it for anything, will sustain and enhance outcomes. CA comes from investing resources wisely—and sometimes luckily.

We propose that CA is an aggregate construct that exceeds capabilities of competitors. This avoids the circular argument whereby CA and the consequences of its application are erroneously equated (Arend and Bromiley, 2009).

Howard Schultz, an employee of the Starbucks coffee importing firm, tried to convince executives to create a network of coffee houses similar to ones he had experienced in Italy. Starbucks executives rejected Schultz’s
vision. Schultz resigned, established a successful coffee-shop business in Seattle, and then bought Starbucks so as to implement his dream of creating the coffee-house culture (Koehn, 2001). Schultz initially lacked the means, and notably the tangible resources, to bring his vision to fruition. Schultz’s vision included an element of CA but, without resources, the vision was not at that point manifested as CA, and did not subsequently lead to SP. In contrast, Steve Jobs at Apple had access to resources to transform his vision of CA via portable devices that subsequently led to SP (entrepreneur.com). CA is an aggregate that consists of tangible resources and intangible capabilities in an interplay well suited to the particular competitive context.

**Competitive Advantage and Enterprise Transformation**

It is possible that a company can attain both CA and SP based on continuous improvement and without undergoing ET. However, this is increasingly difficult to accomplish (D’Aveni, 1995; McGahan and Porter, 1999; Thomas and D’Aveni, 2009). Also, when a company attains CA that leads to SP, by definition, it creates deficiencies in the performance of rivals, exerting pressure on them to transform or fail. CA is ‘a difference between a company and its competitors that matters to customers’ and ‘forces competitors to transform their business just to compete’ (Lopez, 2012). As such, to develop CA is to create potential or realized deficiencies in the performance of competitors. It is to bring about creative destruction within an industry and render the strategies of rivals obsolete. So, for example, universities that have boasted a commitment to traditional, on-campus learning may feel the pressure to offer online courses so as to compete with rivals. Means of successfully competing against creative destruction is less clear in the case of the traditional taxicab industry that faces competition from recent initiatives, such as Uber, Lyft, and Zipcars, or Chinese food and pizza outlets whose business is now threatened by delivery services that deliver takeout picked up from a wide spectrum of restaurants.

While the competitive objective is always to outperform rivals, and by implication, render their performance inferior, a company is only likely to seek to transform itself if its own strategy will otherwise become deficient in relation to rivals, that is, it will lose its CA. In highly turbulent markets, however, it may be increasingly necessary to transform one’s own strategy, operations, offerings, or image in order to outperform rivals, as might be exemplified in a switch from store-based to internet-based retail. In this scenario, when one form of CA cannot be sustained for long, a series of more short-term, transitional advantages needs to be formulated so as to stay abreast of market forces in a game of competitive leap-frog (McGrath, 2013). In a highly volatile environment, these changes may need to be radical rather than merely incremental so as to stay ahead of rivals. Radical changes of this kind constitute ET. Intangible capabilities are more adaptable to the
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needs of volatile markets than hard assets generally can be. Transitional
to which they can give rise, are usually driven by the

advantages, and the ET to which they can give rise, are usually driven by the

pursuit of intangible aspects of CA.

Instances of ET can be categorized as changing markets, changing offers-ings, changing perceptions, or changing operations, and combinations
of these forms of change (Rouse, 2006). Each of these forms of ET broadly
reflects a corresponding form of CA. For example, a high level form of ET
may be entailed in changing markets, as Pizza-Hut did when it expanded
its operations into the Indian market, integrating its core competencies in
pizza-making with the curry-infused flavors much loved on the subconti-nent (pizzahut.com.in). In order to expand into global markets, particular
resources and capabilities are required and these create CA.

Another form of high-level transformation would involve breaking into an
industry or sector, beyond simultaneous diversified activities, as exemplified in
Kellogg’s European operations when the company diversified beyond man-
ufacturing breakfast cereals and pioneered the instant noodle snack in the
European market (Croome and Horsfa, 2010). Diversification of this kind
requires suitable capabilities and resources that contribute to CA. A dra-
matic transformation of this kind may be observed in the case of PetSmart
that broke into the veterinary and boarding sectors in addition to its retail of
pet-related goods (Brady and Palmeri, 2007). The transformation in ques-
tion would have required the exploitation of intangible capabilities, such as
vision, research, and diversification. Examples of ET as a change in markets
may be observed in relation to Amazon’s transformation of book-buying,
e-Bay’s utilization of IT to change the face of the resale market, and Wal-
mart’s venture from store-based to online retail (Ebay.com, 2014; Parker,
2014; Rouse, 2006; Zlomek, 2013).

A second form of ET involves a change of offerings within a given market
(Rouse, 2006). A case in point is Motorola’s shift from selling battery elimi-
nators to selling cellphones or Home Depot’s expansion of hardware store
offerings. Because this form of transformation specifically involves selling
new things, the CA that underlies it is driven by tangible as well as intangible
assets.

A third form of ET is characterized by the transformation of perceptions
(Rouse, 2006). While the manipulation of perception may not necessarily
involve a change in the hard product on offer, the management of public
perception may be one of the most intangible, and least quantifiable, aspects
of CA. For example, Taco Bell expanded a perception of fast food to include
items derived from Tex-Mex cuisine that is quite distinct from the burgers
and fries that dominated that sector.

A fourth form of ET consists in changing operations. This is the form of
ET that may be least drastic. Nevertheless, if it is truly ET, the operational
changes in question will be more than incremental improvements. This form
of transformation may be rooted in a CA that includes capabilities, such
TABLE 1 Enterprise Transformation and Aspects of Competitive Advantage

<table>
<thead>
<tr>
<th>Form of ET</th>
<th>Corresponding components of CA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changing markets</td>
<td>Globalization strategies</td>
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<tr>
<td></td>
<td>Cultural insights</td>
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<tr>
<td></td>
<td>Market research</td>
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<tr>
<td></td>
<td>Networking</td>
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<tr>
<td></td>
<td>Alliances</td>
</tr>
<tr>
<td>Changing offerings</td>
<td>Innovation</td>
</tr>
<tr>
<td></td>
<td>R &amp; D</td>
</tr>
<tr>
<td></td>
<td>Market research</td>
</tr>
<tr>
<td></td>
<td>Supply chains</td>
</tr>
<tr>
<td></td>
<td>Plant and equipment</td>
</tr>
<tr>
<td>Changing operations</td>
<td>Operational efficiency</td>
</tr>
<tr>
<td></td>
<td>Adaptable procedures</td>
</tr>
<tr>
<td></td>
<td>Learning systems</td>
</tr>
<tr>
<td></td>
<td>HR-related capabilities</td>
</tr>
<tr>
<td></td>
<td>Employee insight</td>
</tr>
<tr>
<td>Changing perceptions</td>
<td>Marketing</td>
</tr>
<tr>
<td></td>
<td>Customer insight</td>
</tr>
<tr>
<td></td>
<td>Segmentation</td>
</tr>
<tr>
<td></td>
<td>Brand image</td>
</tr>
<tr>
<td></td>
<td>Cultural awareness</td>
</tr>
</tbody>
</table>

as consolidation, merging, integration, and optimization, so as to address trade-offs between work processes that potentially could lead to performance deficiencies. A trade-off of this kind could occur when, for example, a cost-cutting initiative is implemented, reducing employee bonuses, benefits, and performance initiatives. However, these savings may be exceeded by costs arising through a decrease in morale and a rise in absenteeism, increased employee turnover, and lower productivity. A transformation of operations in this case could be driven by capabilities that optimally balance efficiency and personnel concerns.

The overall point in relation to these four kinds of transformation is that each is dependent upon a form of CA, the specifics of which are defined by the particular competitive context as indicated in Table 1. Successful ET involves the pursuit of SP and the kind of SP sought implies the composition of the underlying CA needed.

**METHODOLOGY**

We studied the performance of 397 firms between 1999 and 2009, including 111 companies from the Consumer Durables and Apparel (CDA) industry, 98 companies from the Consumer Service (CS) industry, 110 companies from the Retail industry, 31 companies from the Automobile and Components industry (AC), and 47 companies from the Media industry.
FIGURE 2 Mapping the superior performance of firms (area above the line $y = -x$): • Laggard possesses neither currently high profits nor significant potential. • Cash Cow with Limited Growth indicates currently high profits with low future potential. • High Performer is high in both current profits and future potential. • Turnaround refers to low current profits but high in future potential.

FIGURE 3 Duration of superior performance.
We utilized the Global Industry Classification System (GICS) within the consumer discretionary sector.

**Mapping Firm Performance**

The findings reported in the first part of this study (McCarthy et al., 2014) revealed successful transitions in performance. In this article we study these transitions so as to determine the enabling CA and infer its characteristics in the competitive context of interest. We considered two different measures for true unobserved SP. We examined the perceived market SP (measured by abnormal returns) and a data-driven SP estimate (measured using a function of Realized and Potential performance) (McCarthy et al., 2014). We mapped firm performance across the four quadrants of a two-dimensional graph (see Figure 2) whereby the x-coordinate represents the Realized dimension of performance (rate of return difference between the firm and the industry) and the y-coordinate represents the Potential dimension. (As indicated earlier, Potential is calculated using FV of the firm—FV average of the industry.) This two-dimensional approach to the measurement/estimation of SP accounts more fully for Abnormal Returns than a single-dimensional approach, focusing on the Realized dimension alone, could allow.

The laggard quadrant indicates performance low in both its Potential and Realized dimensions. The turnaround quadrant indicates performance high in Potential and low in Realized. The cash cow quadrant indicates
performance high in Realized and low in Potential, and the high performer quadrant indicates performance high in both Potential and Realized.

**Performance Transitions**

When we plot firm performance on the two-dimensional graph, we can observe transitions whereby the performance of a given firm crosses the threshold from one quadrant to another. As such, a firm may undergo a positive transition, indicating improved performance in one of five ways. First, a firm may transition out of the laggard quadrant into turnaround, indicating improved Potential performance, or into the cash cow quadrant, indicating improved Realized performance. It may also conceivably transition directly from the laggard quadrant to the high performer quadrant, implying an improvement in both Realized and Potential performance, relative to its rivals. Another form of successful transition can be observed when a firm transitions from the turnaround quadrant, characterized by high Potential and low Realized to the high performer quadrant, which is characterized by both high Realized and high Potential. The transition from turnaround to high performer hence signifies an improvement in Realized performance. A further form of successful transition occurs when a firm transitions from the cash cow quadrant, which is high in Realized and low in Potential performance, to the high performer quadrant, signifying an increase in Potential performance.

**FINDINGS**

Figure 3 shows a high degree of turbulence across the industries with dramatic declines in performance after 1, 2, 3, and 4 years.

Figure 4 shows the length of time that firms spend in a given quadrant. It affirms that there is a high degree of industry turbulence reflected in movement between the quadrants.

Table 2 shows the percentage of positive transitions across the consumer discretionary sector (when any firm transitions into the high performer quadrant, whatever the duration of its stay). In the retail industry, over the 10-year duration of the study, 5.2% of companies (77 companies moved into the high performer quadrant and four of them moved from the laggard

<table>
<thead>
<tr>
<th>TABLE 2</th>
<th>Movement into High Performer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quadrants</td>
<td>Automobile (%)</td>
</tr>
<tr>
<td>Laggards (-,-)</td>
<td>2.6</td>
</tr>
<tr>
<td>Turnaround (-,+)</td>
<td>30.8</td>
</tr>
<tr>
<td>Cash Cow (+,-)</td>
<td>66.7</td>
</tr>
</tbody>
</table>
quadrant, including Ann Taylor Stores Corp, Cato Corp., Sears Holdings Corporation, and Sonic Automotive Inc.) transitioned from laggard to high performer. Table 3 shows the frequency of movement into high performer by year for the consumer discretionary sector.

Table 4 shows the positive transitions experienced by a range of firms during the focal period of our study. We determined the sources of these transitions by reviewing published reports of these companies’ investments and activities, the form of ET that transpired, and the kind of CA that they created to bring about this ET. Thus, we used the quantitative methodology reported in McCarthy et al. (2014) to identify transitions in SP that warranted qualitative investigations into possible transformations and the CA that enabled them.

Table 4a illustrates positive transitions across quadrants. These positive transitions reflect an increase in either the Realized or Potential dimensions of performance. Such transitions prompted us to infer the components of the CA that would be required so as to enable these transitions. So, for example, in 2006, Direct TV improved its Realized performance so as to transition from the turnaround quadrant to the high performer quadrant, whereas in

### TABLE 3 Frequency of Movement in High Performer by Year by Industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Auto</th>
<th>CDA</th>
<th>CS</th>
<th>Media</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999–2000</td>
<td>1</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>2000–2001</td>
<td>8</td>
<td>9</td>
<td>9</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>2001–2002</td>
<td>0</td>
<td>8</td>
<td>4</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>2002–2003</td>
<td>4</td>
<td>11</td>
<td>8</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>2003–2004</td>
<td>4</td>
<td>8</td>
<td>9</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>2004–2005</td>
<td>3</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>2005–2006</td>
<td>3</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>2006–2007</td>
<td>5</td>
<td>10</td>
<td>8</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>2007–2008</td>
<td>3</td>
<td>3</td>
<td>8</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2008–2009</td>
<td>8</td>
<td>14</td>
<td>10</td>
<td>7</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>82</td>
<td>73</td>
<td>38</td>
<td>77</td>
</tr>
</tbody>
</table>

### TABLE 4a Positive Transitions across Quadrants

<table>
<thead>
<tr>
<th>Positive transitions across quadrants</th>
<th>Amazon</th>
<th>Best Buy</th>
<th>Coach</th>
<th>Comcast</th>
<th>TV</th>
<th>Domino’s</th>
<th>Ford</th>
<th>McDonald’s</th>
<th>Netflix</th>
<th>PetSmart</th>
</tr>
</thead>
<tbody>
<tr>
<td>Both realized and potential Potential</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Realized</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>
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TABLE 4b Positive Development within the High Performer

<table>
<thead>
<tr>
<th>Positive transition</th>
<th>Amazon</th>
<th>Best Buy</th>
<th>Coach</th>
<th>Comcast</th>
<th>TV</th>
<th>Domino’s</th>
<th>Ford</th>
<th>McDonald’s</th>
<th>Netflix</th>
<th>PetSmart</th>
</tr>
</thead>
<tbody>
<tr>
<td>Both realized and potential</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Potential Realized</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
</tbody>
</table>

2000, Coach improved its Potential performance so as to transition from cash cow to high performer (Ad Age Custom Programs, 2009; Business Insider, 2013; Luxury.com, 2014).

Movement within the High Performer Quadrant

It is important to note that some of the most impressive performances detected in our study was on the part of firms that spent the entire duration in the high performer quadrant. The question arises as to how, in the absence of transitions between quadrants, we can classify these firms as having successfully undergone ET. In response to this question, Table 4b shows positive development within the high performer quadrant, that is, cases wherein a firm’s performance is depicted as improving significantly within the quadrant. When a firm is positioned in the high performer quadrant, this indicates that it is outperforming the industry median at that point in time. However, the deficiencies, experienced or anticipated, that motivate ET may be in relation to particularly strong rivals that are also located in the high performer quadrant. The leadership of an enterprise is not likely to be content with simply outperforming the industry median. Significant inclines within the high performer quadrant indicate that the enterprise is outperforming other high performers. So even though it is not crossing the threshold between quadrants, and is already classified as a high performer, such movement indicates some of the most effective ET whereby firms, including Amazon, Coach, Direct TV, McDonalds, Netflix, and PetSmart, outperform their strongest rivals.

Forms of Enterprise Transformation and Competitive Advantage

In Table 4c, we propose the form of ET that has transpired for a range of firms, that is, whether they have changed markets, offerings, perceptions, or operations, or a combination of these changes. So, for example, Best Buy’s globalization strategy changed markets, whereas Coach changed offerings, diversifying beyond leather goods to other accessories, including watches.
Table 4d provides insight into crucial aspects of CA for a range of firms that experienced positive transitions. With reference to the competitive context of the firm, we can posit the capabilities and assets that have been exploited so as to bring about the positive transition in question. CA is always a context-specific blend of capabilities and resources. We have identified a range of competencies that formed part of an aggregate CA that was exploited by several firms within our study so as to lead to SP.

Direct TV implemented focused market segmentation in relation to a particularly lucrative customer segment, targeting that segment for excellent service. Best Buy also implemented a customer segmentation strategy to profitable effect. PetSmart diversified its offerings from selling pet goods to providing a range of pet services, while McDonalds added espresso drinks and salads to its core menu of fried foods (Brady and Palmeri, 2007; Prepared Foods, 2005). McDonalds, PetsSmart, and Best Buy all devised merchandising techniques involving store layout and ambience (bby.com; CIO Staff, 2007).

**Resilience in a Downturn**

A particularly interesting dynamic capability that can form a crucial part of CA is resilience during an economic downturn. SP and CA are always relative to industry rivals and a downturn can provide an opportunity for an enterprise to hold the line while the performance of its rivals deteriorates. Retrenchment during an economic downturn is a capability rooted in adept decisions as to whether, for example, to divest the enterprise of real estate, personnel, and equipment. A long-range view that focuses upon the Potential dimensions of performance, and estimates Potential accurately, may underlie resilience during a recession. This capability may in turn build a strong financial position relative to rivals, and sustain quality of offerings.
<table>
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<tr>
<th>Competitive Advantage</th>
<th>Amazon</th>
<th>Best Buy</th>
<th>Coach</th>
<th>Comcast</th>
<th>Direct TV</th>
<th>Domino’s</th>
<th>Ford</th>
<th>McDonald’s</th>
<th>Netflix</th>
<th>PetSmart</th>
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<td>Focused market segmentation</td>
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<td>Resilience during recession</td>
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<td>Going public, emancipating management</td>
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The reality of an industry-wide downturn during which an enterprise may display exceptional resilience is a reminder that CA and SP are relative constructs, always defined in comparison to rivals, and in relation to the industry median at a given time. As shown in Figure 5, the point of competitive equilibrium (i.e., Realized and Potential dimensions equal zero) occurs when the firm’s estimated economic return equals its cost of capital and its FV is equal to that of the industry average (McCarthy et al., 2014). The point of competitive equilibrium in any given industry moves over time, as does the industry median according to which SP is defined. It is conceivable that a firm may be making a loss but not doing so to the same extent as its rivals, and hence may be regarded as having attained SP and be classified as a high performer. A good example is Ford’s apparent performance improvement around 2008 and 2009 (Garner-Davies, 2012).

Ford’s performance history illustrates that changes in leadership, and the vision and intellectual capital that this may entail, may form a vital component of CA. So too, new structures can emancipate leadership to do what is needed, as seen in the case of Coach’s emancipation from the Sarah Lee Corporation (New York Times, 2000). Given these inferences into the aspects of CA that underlie SP, we now develop some of these insights in relation to specific competitive contexts.

The case of Porsche illustrates another example of an automobile manufacturer that strategically rode out an economic downturn. Porsche’s sales were threatened by a downturn in the U.S. market in the early 1990s. In 1991, Porsche invested in its differentiation strategy, retaining Japanese consultants to guide quality improvements. While these improvements may be regarded as having played a role in bolstering CA, they do not constitute ET since they were incremental rather than fundamental changes. In 1993, the
firm transformed its offerings, announcing plans to manufacture an entry-level model, the Boxster, in addition to the 911 Porsche. The enterprise sustained its position thanks to a transformation of operations in the late 1990s (Zeyer and Orel, 2010).

We have proposed that CA consists of tangible and intangible assets that a firm can exploit so as to outperform its competitor. As such, CA remains distinct from the SP that may arise from its exploitation. We have asserted that performance is quantifiably measurable so that even Potential performance can be assigned an estimated dollar amount. This is evidenced by our findings in relation to the performance of our focal 397 firms over a 10-year period. In light of our distinction between CA and SP, it is not possible to directly deduce the nature of CA in any given competitive context by solely observing transitions in financial performance. Any attempt to do so would conflate CA and SP. Rather, the transitions in firm performance as detected in our study can be cited so as to infer the manner in which an aggregate advantage comprised of particular capabilities and resources was successfully exploited to achieve SP in a given competitive context. This is based on the argument that, in the absence of some major environmental upheaval, SP is usually due to CA. Hence, the case studies that follow reflect the findings of our study regarding SP, as well as the strategic histories of the enterprises in question, so as to determine the relationship between CA and SP in particular competitive contexts, and their roles in bringing about ET. While SP is quantifiably measured, CA as enabled by ET can only be evaluated within a qualitative, contextual framework.

**CASE STUDIES**

We now illustrate the alignment of performance transitions detected in our empirical study with significant developments in the histories of the firms in question. This segue from quantitative to qualitative analysis enables inferences into the forms of CA that were exploited to lead to SP in each case. While SP is determined by quantitative analysis, an exploration of CA, based upon intangible as well as tangible factors, requires qualitative analysis. CA itself cannot be measured in terms of a dollar amount. Instead, its evaluation requires references to the specific context and history of an enterprise, and its repertoire of capabilities and resources. The findings in Tables 4a–d summarize the elements of CA these companies created to attain SP. In this section we look in depth at Best Buy and, in a bit less depth, Domino’s, Coach, and Amazon. Given the impracticality of providing an analysis of every instance of transformation revealed in our study, we present these firms as examples of the forms that ET can take, changing offerings, operations, perceptions, markets, or a combination of these, while also offering inference into the various components of CA.
The Case of Best Buy: Customer Insight Driving Transformation

Figure 6 shows the trajectories for Abnormal Returns and for the Realized and Potential Dimensions for the retail industry. The variability that exists between Abnormal Returns and the Realized and Potential Dimensions can be attributed to CA, except for the possibility of some unusual environmental factors (McCarthy et al., 2014).

Our study shows that Best Buy remained in the high performer quadrant for the duration of the study, indicating that the Realized and Potential performance of the firm exceeded the industry average. However, our findings indicate that Best Buy’s performance moved significantly within the high performer quadrant, starting in 1999 near the top of the quadrant, declining sharply in 2000, rising in 2001, plummeting to a new low in 2002, dipping to its lowest point in the study in 2008, and improving somewhat in 2009.
The retail giant responded to an anticipated deficiency, largely by means of the strategy of customer centricity, which provided actionable insights enabling transformation in all four of the forms that we have outlined: expanding to new markets, embarking on new offerings, changing operations, and systematically exploiting the perceptions associated with particular customer segments (Datamonitor, 2010).

Electronic retailer, Circuit City, succumbed to turbulent market conditions and the firm—and its CA—disappeared in 2009. In contrast, in view of the factors we outlined, its competitor, Best Buy, has proven itself to be capable of the transformations that have ensured its resilience (Bernstein Research, 1994).

In 1999, at the start of the focal period of our study, the threat of performance deficiency loomed large on the landscape of retail electronics where ever-falling prices are a distinctive trend (bby.com). Faced with the worst economic conditions since the Great Depression, Brian Dunn, CEO of Best Buy looked to developing countries for the necessary growth, hence embarking upon ET in the form of changing markets (Trefis, 2010). This global expansion gave rise to the question as to how the retail giant could obtain an actionable understanding of its customers in 1,800 stores worldwide, and cultures as diverse as China and London (Star Tribune, 2008). That is, how can ET be enabled by changing and managing the perceptions of a diverse population? A globalized market presents the challenge of knowing the needs and behaviors of a very diverse customer base. This illustration shows that Best Buy has gained customer insight and that this constitutes a significant part of its CA.

**Customer Centricity**

The term ‘customer centricity’ denotes a business perspective that seeks to cater to specific customer needs and behaviors (Ballard, 2009; Gulati, 2010; Supply Chain, 2004). Best Buy’s concept of customer centricity involves configuring its stores to serve the needs of local customer segments, informed by, and catering to customer perceptions (Ballard, 2009; Gulati, 2010). Examples of store customization to suit the local customer segments include the use of different types of store signage, fixtures, lighting, and even uniforms. For example, one New York store hires Portuguese-speaking staff to serve Brazilian clients (Skarzynski and Gibson, 2008). In 2006, Best Buy expanded its customer centricity operating model by converting 233 U.S. Best Buy stores (bby.com).

Best Buy executes three different types of segmentation—demographic, attitudinal (behavior-based segments that are used by many companies with third party data, e.g., price shopper), and value tiers (segments based on profitability and lifetime value) (Eunjung Cha, 2008; Moss, 2005). In an age when profiling is greeted with suspicion at airports and traffic stops, Best
Buy may excel at profiling of a lucrative kind. Currently, Best Buy uses four overarching segments, each with a male and female counterpart. The four high-level segments include: Urban Trendsetters, Upscale Suburban, Empty Nesters, and Middle America (Eunjung Cha, 2008). Employees are trained to use the customer information to make sales propositions that will better meet customers’ needs and build customer loyalty (Eunjung Cha, 2008).

Customer Centricity Leads to Diversification and Transformation

Best Buy’s approach to customer segmentation may be effective in creating a performance deficiency for its rivals, forcing them to radically transform or to go the way of Circuit City. However, the implementation of customer segmentation does not by itself constitute ET. The localized adaptations informed by customer insights have led the electronics giant to diversify and to undertake new activities so as to meet customer needs. This constitutes ET. In 2008, for example, Best Buy announced that it would start selling musical instruments and related equipment in over 70 of its retail stores making the company the second largest musical instrument distributor in the U.S., second only to the more specialized Guitar Center (Encyclopedia of American Industries, 2009). In a further instance of diversification that entailed a new business prospect, Best Buy also announced in 2008 its planned acquisition of Napster for $121 million (Skillings, 2008).

Several further innovations by Best Buy may be considered ET rather than operational improvements. The electronics giant operates a global portfolio of brands (Best Buy Yellow Tag, Geek Squad, Future Shop, Five Star, Best Buy Mobile, Magnolia Audio Video, Pacific Sales) aspiring to provide customers around the world with superior experiences by responding to their unique entertainment and technological needs and aspirations (Plunkett, 2009).

The Case of Domino’s: Changing Customer Perceptions

The CA that leads to transformation is one that enables successful change, whether a change in markets, offerings, operations, or perceptions. In the case of Domino’s pizza, the enterprise undertook to change public perception and prevent the deficiencies current perceptions might yield. Domino’s Pizza spent 1999–2003 in cash cow classification. Within that period in the cash cow quadrant, its performance steadily declined between 1999 and 2003 before shooting upward, in 2004, just crossing the threshold into the high performer quadrant. Its performance then rose with relatively minor fluctuation between 2004 and 2007. Intriguingly, Domino’s performance then shoots downward into the cash-cow quadrant, and bolts back into high performer status in 2009. Our findings flag the rapid ascent between 2003 and 2004, the steep descent between 2007 and 2008, and the final ascent back into higher performer status in 2009. Domino’s never passed into
the laggard quadrant so that it was never low in both Realized and Potential performance relative to its competitors. Rather, its transitions from cash cow to the high performer and back again reflect increases and decreases in Potential Performance. Since Domino’s stayed out of the laggard quadrant, we can see that it avoided being relatively low in Realized performance. That is, it avoided an experienced value deficiency. The question is then, “How did Domino’s increase and decrease so dramatically in Potential performance in 2008–2009?” and the answer lies in its transformation of perceptions, one of the forms of ET (Rouse, 2006).

The dramatic decrease and increase in Domino’s Potential performance in 2008–2009 coincides with the posting of a YouTube video showing two Domino’s employees apparently contaminating pizza ingredients at a Domino’s franchise in North Carolina (The New York Times, 4/16/2009). The video went viral. Domino’s CEO, Patrick Doyle responded with an exceptionally candid turn-around campaign, stating in a TV commercial, “There comes a time when you know you’ve got to make a change” and “Domino’s had heard your feedback and is doing something about it.”

The 2009 debacle and the drive to turn around its effects can be observed with reference to the use of new technologies at Domino’s franchises, and one in particular located close to the site where the YouTube video was recorded. In 2009, a Domino’s franchise at Chapel Hill, North Carolina credited its use of Ez-texting for increased sales (Eztexting.com). The franchise purchased an advertisement at the university basketball arena offering free pizza to students who texted the local branch. Having captured the students’ smart-phone contacts, the franchise sent SMS messages to students giving them coupon codes for discounted pizza orders and discounts for ‘liking’ the branch’s Facebook page.

The Case of Coach: Changing Offerings

Domino’s experienced transformation of perceptions. In contrast, Coach experienced a transformation of offerings by expanding its product range (CPPluxury.com). This may not have been transformative in many contexts but was in this case. In 1999, at the start of our focal period, Coach was in the cash cow quadrant, shooting into the high performer quadrant in 2000. From 2001–2004, Coach remained within the high performer quadrant, its performance decreasing in 2007, dropping close to the bottom of the quadrant in 2008, and rising again in 2009. The period 2000–2001 was one of a massive improvement in Realized performance for Coach. This coincided with Coach’s separation from the Sarah Lee Corporation, freeing the leadership of Coach to implement its vision with greater autonomy. From 2007–2008, on the brink of a recession, performance dropped off but remained in the high performer quadrant, and recovered significantly in 2009.
Coach has been consistently known for its high-end bags and leather goods. However, CEO Lewis Frankfort states that Coach’s recent strategy has sought to change offerings from specializing in leather goods into a ‘lifestyle brand’, diversifying to sell shoes and watches. That said, this diversification puts Coach in competition with, among others, Michael Kors and Tory Burch (Lutz, 2013). While the introduction of new offerings would not represent ET for a firm with a traditionally broad range of offerings, in the case of Coach with its very specialized repertoire and distinct, recognizable style, such new offerings at Coach could be considered transformation. This gives rise to the point that something that would not constitute ET in one context could well do so in another.

The Case of Amazon: Changing Markets

Amazon was founded in 1994 and entered the focal period of our study as a turn-around enterprise in 1999. Amazon was high in Potential Performance and low in Realized (Noren, 2013). This in part reflects the fact that Amazon did not require much in the way of hard assets, such as stores, relying upon the Internet as its venue. Amazon’s performance within the turnaround quadrant fell until 2002 when it began an ascent into the high performer quadrant. This is indicative of the deferral of pay-off as the enterprise built its business, driven more by intangible capabilities than by hard assets. Performance then rose steadily until 2007, and on the brink of economic downturn when discretionary spending declined, it dipped within the high performer quadrant in 2008, before rising significantly in 2009.

Amazon has taken advantage of the Internet so as to essentially redefine book-selling. While firms undertake ET so as to transform their own performance, sometimes their impact transforms the entire market. The firm seeks to make the performance of its competitors non-competitive, and while some rivals may be driven out of business, others will imitate the winning performance so as to stay afloat. This can result in a diffusion of best practices and may be observed as retailers, such as Barnes and Noble, have resorted to the Internet to compete with Amazon. Amazon changed markets, not in the sense of expanding into some new global market or a new sector but rather by transforming the face of book selling and, more recently, selling everything to leverage its own competencies.

DISCUSSION

ET Requires the Tangible and Intangible Components of CA

Our findings indicated that few firms maintained a position in the high performer quadrant for the full duration of the study: CDA, 3.6%; CS, 7.22%; Media, 6.38%; A&C, 6.45%; and Retail, 9.91%. This provides affirmation of
Disentangling Competitive Advantage and Superior Performance

the stream of strategy literature that asserts the prevalence of hypercompetitive markets, and the difficulty entailed in sustaining CA, and, by extension, achieving SP (D’Aveni, 1995; McGahan and Porter, 1999; Thomas and D’Aveni, 2009). Since few firms transition into high performance and sustain their position in that quadrant, most attempts to transform end in failure (Rouse, 2011). In an increasingly volatile environment, firms can rarely sustain a given strategy and, thus, most firms cannot successfully sustain SP. This turbulence may indicate that firms are often unsuccessful in avoiding deficiencies—even if they have anticipated them and attempted transformation. If those authors who argue that today’s markets are increasingly hypercompetitive are correct, most attempts at transformation may still end in failure.

The question arises as to why ET is so difficult to implement. Intuitively, it might seem as though, in a turbulent market, a firm that undertakes change so as to attain SP is likely to surpass those that persistently pursue an unchanged strategy. Performance is always relative to rivals and attempting transformation seems intuitively better than doing nothing in the face of a performance deficiency. One stream of the innovation literature points to the predicament faced by firms that are rich in innovative vision but lack the hard resources to exploit their vision (Christensen, 1999; Teece et al., 1997; Tripsas, 1997). By the same token, recent research suggests that the relative importance of intangibles, such as innovation, vision, and knowledge, has grown in relation to that of hard assets, so that creative destruction is more prevalent than in the past (Nunes and Downes, 2014). Taking both perspectives into consideration, it may be concluded that to succeed at ET, the enterprise must be equipped with both the vision and the resources to do so, that is, to create an enabling CA based on both tangible resources and intangible capabilities, including vision and innovation. The pivotal role of intangible competencies, such as leadership, segmentation, and diversification, is shown in Table 4d. Indeed high performers, such as Netflix and Amazon, beginning the focal period in the turnaround quadrant, can attribute their assent to high performer status primarily to their exploitation of the intangible components of CA.

Deficiencies May Undermine Attempts to Implement ET if the Enterprise is Not Proactive

The evident difficulty in successfully accomplishing ET may reflect the fact that ET is usually attempted in response to an experienced or anticipated deficiency. Hence, it is usually a reaction to extended environmental change rather than a proactive move. By the time a deficiency is experienced or a specific deficiency can be anticipated, the firm may already be in a weakened position to successfully implement ET. Since ET is usually motivated by deficiencies, firms seeking to successfully implement ET are often lacking in
Firms that are experiencing or anticipating deficiencies are already at a
disadvantage. Thus, exploration of change should be an ongoing process,
not only a reaction to an impending deficiency. Exploration should be sym-
biotically balanced with the exploitation of current strategies, so that it is
assumed that ET will be required again and again in the enterprise’s fu-
ture. Given the reality that today’s turbulent markets are likely to make ET
a requirement for survival, strategists should be prepared to formulate and
implement transformations, viewing them as an eventual inevitability rather
than a possibility. The actionable point is that all investment decisions should
be informed by a comprehensive assessment of likely future performance,
and undertaken with a view to the importance of adaptability so that the re-
sources and capabilities of a firm are adequately flexible so as to successfully
pursue and implement ET. Reliance on narrowly defined core competencies
may prove fatal—unless, of course, the ability to transform is developed as a
core competency in itself.

**ET Leads to Diversification and to Inter-Industry Competition**

The reality of turbulent markets and the ET necessitated by them could
prove devastating to current approaches to performance measurement. ET
could challenge current assumptions regarding performance measurement
since SP is relative to competitors and CA is no longer simply the ability
to achieve SP, and both are measured against rivals in a given industry.
Further, ET can necessitate expansion into new markets, new offerings, and
new sectors. As such, it may no longer be as clear as to which rivals the
performance of a firm should be measured against. For example, PetSmart
diversified its activities to include a range of services in addition to retail.
If the performance of PetSmart is measured against that of other pet-goods
retailers, we may not be contrasting comparable entities, since PetSmart’s SP
could at some point be driven more by boarding or veterinary services than
by retail.

While, in the case of PetSmart, inter-industry competition may reflect the
diversification of particular firms, it could also reflect competition between
entire sectors. For example, bookstores must increasingly compete with on-
line vendors. In such a scenario, a bookstore discovers a shared interest with
its traditional rivals when both are faced with a common threat. By market-
ing the benefits of the traditional bookstore, Barnes and Noble would help
other bookstores. The enterprise, in this case, focuses on confronting the
greatest competitive threat even if its efforts benefit other rivals. As such,
inter-industry competition complicates competitive relationships and assess-
ment of their impacts.
In conclusion, we have disentangled the two constructs of CA and SP showing that CA is the aggregate of the firm’s capabilities and resources that can lead to SP, possibly enabled by ET, in a specific competitive context. ET can take the form of changing markets, offerings, operations, or perceptions, or a combination of these changes. Each of these forms of ET suggests a particular portfolio of underlying elements of CA reflecting the capabilities and resources required to implement the change in question.

CA often includes factors, such as vision, culture, and intellectual capital, that cannot be measured in a quantifiable fashion. It can, however, be explored through the analysis of case studies. In contrast, Realized SP can be quantifiably measured, and the Potential dimension of SP can be estimated in terms of a projected dollar amount. Hence, the issue of measurability/estimatability is a major factor in distinguishing CA from SP. When SP is measured/estimated in terms of its dimensions of Potential and Realized, however, successful transitions reveal an increase in one or both of these dimensions, and this can prove conducive to detecting the nature of the underlying CA.

With reference to the case of Best Buy, we note the firm’s leverage of customer insight so as to tailor its offerings and, where applicable, transform its activities through diversification that meets the needs of local customer populations. Broadening our focus, in relation to the findings of a study of 397 firms, we observe that Potential and Realized SP each imply particular forms of underlying CA needed to achieve SP. That is, a strong Realized SP implies a CA that is well suited to current market conditions and is currently being exploited, whereas a strong Potential SP implies a CA that has been developed so as to pay off in a more long-range manner.

The basic idea, supported by our data and analysis, is that firms that transition from the upper right quadrant (high performer) to one of the other three quadrants must find some way to achieve CA to reclaim SP. Table 4c summarizes the changes ten companies made to increase CA and reclaim SP. These four types of changes come directly from Rouse’s transformation framework (Rouse, 2006). One could certainly argue that operational improvements represent much more moderate transformations than changing markets and offerings. Indeed, one could even argue that changing markets, as achieved by Wal-Mart and Amazon, tends to be much more transformative for competitors than market leaders, as evidenced by Sears and K-Mart having to chase Wal-Mart and Barnes and Nobles having to chase Amazon.

The limited space of a single article does not allow for elaboration on a large number of cases. What we have shown is that a two-dimension framework for SP enables the identification of transitions that prompt efforts to achieve greater CA. Case-based analyses then make it possible to find what companies did to reclaim SP. The reclaiming of SP provides evidence that ET perhaps enabled CA, i.e., by addressing and remediating value deficiencies. This methodology greatly reduces the sometimes ad hoc classification of changes being instances of ET or not.
Since ET involves the radical transformation of a firm’s endeavors, successful ET must usually involve an investment in Potential. This enables inference into the corresponding forms of CA that underlie transformation. We anticipate elaborating SP to account for further dimensions of SP beyond Realized and Potential. This will include, for example, risk, and will enable further insight into the nature of the underlying CA. Disentangling CA and SP in its multiple dimensions is, hence, beneficial to the continued understanding of both and of their role in bringing about ET.

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