Why Good Things Never Seem to Last: A Dialectic Perspective for Long-Term Competitive Advantage

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Introduction

Central to much of the strategy literature is the concept of sustainable competitive advantage ([4], [22], [23], [27]). However, a great deal of the research has adopted a static equilibrium view of competitive advantage and does not address whether or not competitive advantage can be sustained over time ([3], [7], [26]). This framework of analysis has often led to the belief that certain strategies are optimal in and of themselves and can lead to sustained superior performance. Thus, scholars have suggested that strategies emphasizing facets such as innovation [20], product differentiation [22], and quality [5], are means through which firms may achieve sustained success.

However, there is no guarantee that today's successful strategy will continue to yield benefits for the firm tomorrow. Competitive advantage that is realized through the implementation of business strategy may not last indefinitely. While this phenomenon has been observed in practice, extensive attempts have not been made to explain why competitive advantage may not be sustained. This paper proposes that a beneficial strategy itself may simultaneously start a process which will culminate in the creation of its own disadvantage, leading to inferior performance. That is, past or present organizational strategies that generate advantage may become sources of competitive disadvantage and organizational failure in the future.

A basic premise of this paper is that a beneficial strategy may not be sustainable indefinitely. Further, the emphasis placed on short-run performance by some managers can actually prove counterproductive in the long run. The application of dialectical logic to strategy provides a justification for these tenets. First, an overview of the philosophy of dialectic inquiry is presented. Then, the dialectic logic is applied to explanations of the notions of organizational strategy and sustained competitive advantage. Finally, managerial implications are offered.

Dialectic Inquiry

Dialectic inquiry may be viewed as a correct means or manner for approaching greater understanding of phenomena [24]. A central tenet of this philosophy is the contention that there is no meaning without knowledge of an opposite [1]. Left takes on meaning when it is viewed within the left-right context, good is only appreciated within the good-evil context, and so on. However, opposing ideas, alternatively referred to as thesis and antithesis, are predisposed to merge and become one, according to the dialectic logic. The newly merged idea (synthesis) must, to obtain meaning, subsequently create its own opposite. As is evident, this process continues, each iteration bringing one closer to the truth. Absolute truth may never be attained but is pursued through the dialectical contradictions of theses and antitheses with their subsequent resolutions into syntheses [1].

Thus, in the dialectic system of thought, no state of being is sustainable, even when managers might be aware of the environmental changes that may impact their strategies. Although environmental scanning may enhance strategic decision making, it may place too much emphasis on information acquisition for coordination and control. However, since the procurement of information about environmental changes does not prevent these changes from occurring, a series of short run successes and failures is inevitable. These short run successes and failures are part of an essential process that will culminate in long term success. However, a series of short-term organizational successes may blind managers to the fact that "this prosperity, this pursuit of the good life will eventually bend back on itself and fracture before [them]" [29, p. viii]. On a broader philosophical front, Vandenbrook warns:

"But life, disconcertingly and reassuringly, is bigger than straight line logic; it conforms with a kind of curved logic which turns things around and often, before you become aware of it, turns them into their opposites.

Pacifists become militants.
Freedom fighters become tyrants.
Blessings become curses.
Labor saving devices become intolerable burdens.
Help becomes hindrance.
More becomes less." [29, p. viii].

Dialectics and Organizational Strategy

A number of studies have supported the application of dialectical inquiry to strategy ([10], [15], [17], [18]). These studies have typically involved the development and presentation of conflicting strategies by management. Opposing strategic alternatives are then integrated into a merged strategy which is supposedly superior to either of the original strategic alternatives. The merging process results from a debate among opposing parties and is facilitated by a third party, usually a manager, management team, or consultant.

Dialectic logic offers an explanation as to why the high business performance of today may lead to poor performance tomorrow. For example, a series of continued successes with a particular technology may result in a feeling of grandeur and invulnerability among members of the top management team [13]. This may lead to an unyielding strategic commitment to that technology. The technology that has led to success may turn out to be the organization's Achilles' heel. Thus, Underwood, the leading player in mechanical typewriters, became so committed to the mechanical technology that it was blinded to technology leading to the introduction of electric typewriters and word processors. Success that is technology-based may result from heightened innovation, but this may also lead to an over-commitment of organizational resources to a technology that will eventually become obsolete. As another example, Texas Instruments, once clearly the technological leader in the electronics and semiconductor industry, became blinded by its technological prowess to new rules of international competition (especially from Japanese firms). The firm became vulnerable to the very technology that propelled it to its original leadership position.

As yet another example, consider the plight of the United States textile industry. A common strategy has been for firms to establish plants in rural locations to enjoy total control over an economical labor force. These low labor costs translated into success for a number of these firms. However, plants were often moved as low morale, unionization efforts, and complaints of poor working conditions mounted. While these firms were not pursuing process and quality-related innovations, foreign producers began to capitalize on even lower labor costs abroad. Thus, the cost-driven strategy that resulted in a series of short-run successes for many firms in the textile industry eventually led to the dissolution of many of these same firms.

To extend these thoughts, let us consider the concept of organizational culture. Barney [3] has proposed that one such attribute, organizational culture, can be a source of sustained competitive advantage, citing three characteristics of such a culture. First, the culture must be valuable to allow the firm to behave in ways that add financial value. Second, the culture must be rare and have attributes and characteristics not typically found in other firms. Third, the culture must be imperfectly imitable, not allowing for duplication by competitors. This perspective focuses on developing a rare and valuable culture, with barriers to imitation that would result in sustainable competitive advantage.

However, a culture that possesses these attributes may not generate sustainable competitive advantage. As a point of illustration, a culture that drives a successful diversification strategy may subsequently result in failure. That is, a firm that has adopted a diversification strategy may demonstrate superior performance for a period of time. As the company continues to grow, increased complexity associated with the numerous acquisitions can ultimately lead to its lower performance [14].

Alternatively, another firm's culture that drives a successful internal growth strategy would have focused on its core business. However, this may lead to the continuous rejection of acquiring potentially profitable alternative businesses, leading to lower performance in the future. Thus, from a dialectic perspective, any strategy that provides initial competitive advantage may also lead to its own demise. Dialectic logic requires that competitive advantage be viewed as a long run ideal that can only be pursued intermittently through short run successes that bring about failures that in turn lead to subsequent intermittent successes.

Culture is but one of many attributes that has been linked to sustainable success. Participative management techniques have also been linked to superior performance in the literature [9]. It has been suggested that subordinate participation improves decision-making effectiveness([7], [9]). Others have proposed that organizational effectiveness increases as the firm evolves toward a consensus approach [16]. However, participative decision making may lead to perceived managerial power loss and an inability to effectively implement future decisions that may be difficult or unpopular ([20], [28]). Thus, the notion of full consensus as a necessary requirement for effective decision making may be flawed in that its realization can result in a decline in organizational effectiveness.

Just as internal (dialectic) change can turn success into failure, external forces in the environment, including competitors' strategies, can also undermine the prevailing prosperity. Consider the tire manufacturer that develops and markets an economical tire that never needs replacement. Competitors will likely follow suit with similar versions while the lack of repeat business results in a smaller market for tires. Thus, the initial success enjoyed by the innovative firm is replaced by failure. However, a manager who considers the likely long-term environmental and competitive responses to strategic alternatives may choose to forego strategies with short-run prospects for success in favor of those with long-run viability.

In sum, dialectics may be viewed as the underlying mechanism that transforms successes into failures, and failures into successes. Therefore, an enhanced understanding of this process is critical to the promotion of managerial behaviors that will engender long-run firm success. For example, strategic managers of successful businesses may become apathetic, ignorant of details, or may simply pay less attention to customers. An innovative firm may be successful in the short term through its fluid process, but may subsequently fail because an effective organizational structure is not established to meet its need for structural growth. Likewise, another firm may also reap success from the introduction of an innovative product line. However, if strategic managers in the firm develop entrenched structures to support this product line, failure is imminent when future innovations by competitors render the product line and the accompanying structure obsolete.

Dialectics offers a key warning to strategic managers: Reliance on the factors believed to have resulted in current organizational success will eventually lead to organizational failure. The road to long-term success is not necessarily a replication of short run successes. In the long run, dialectics is associated with success. However, this success can only be realized through a of series short-run successes and failures.

Implications for Managers

From the application of the dialectic logic to organizational strategy and competitive advantage, at least four managerial implications may be drawn. First, managers should recognize the danger of commitment to the status quo. Dialectic logic suggests that the prevailing formula for superior performance may itself become the cause of subsequent inferior performance. In other words, the assumption that implementation of a previously successful strategy will continue to result in superior performance runs counter to the dialectic perspective. Just as chickens do not mistrust the farmer who has always fed and housed them, too many managers do not fear the roots of the strategies that have initiated their present successes.

Second, continuous qualitative change in strategy is essential if competitive advantage is to be enjoyed over the long term. Managers can be instrumental in promoting qualitatively driven changes within their organizations [11]. The skeptics among the managers should be reminded that the beginning of life also marks the beginning of death, both in biological organisms and in organizations. However, at least in the case of organizations it is possible to suspend the process of decline through the managerial action leading to organizational renewal and revitalization. As Domm and Byles [8, p. 67] stated, "Strategy formulation and implementation are more of a complex and inexact art than a science."

Proactive managers, through questioning and testing their strategic assumptions, can discern impending threats (antitheses), and translate them into opportunities. Through "envisioning," they may steer their organizations toward new directions and new sets of assumptions [12]. By channeling rewards to innovative members, managers can assure organizational commitment and engender organizational renewal and vitality [30]. Managers may also select prospective employees who are innovators and who will actively promote the formulation and implementation of innovative strategies.

Third, according to the dialectic logic, prolonged success results from a series of short-run failures and successes. Efforts to extend the factors that lead to short-run prosperity inevitably lead instead to organizational decline. Thus, short-run failures may be just as much a requirement for long-run success as short-run successes.

Finally, the dialectic logic implies that a disproportionate concern with short-run profits can lead to organizational demise. Thus, strategic managers should consider the long-term ramifications of their strategies. Managers should also anticipate that at times, short-term losses may be necessary in order to invest in research and development. Upon their fruition, these investments, as well as restructuring and efforts in qualitative improvements, can enable the firm to prosper in the future ([2], [19]).

In summary, strategic managers should not panic in the face of short-run failures. Conversely, they should not celebrate and become arrogant in the face of short-run successes. In the context of a long-term orientation, short-run successes and failures tend to be inevitable. The opposing forces of successes and failures can ultimately lead to a renewed organization. Only by viewing success and failure within their appropriate temporal context can managers unlock the potential for their organization's renewal and vitality.

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