Towards a Stakeholder Perspective on Competitive Advantage

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Abstract

Competitive advantage and stakeholder management are two important research streams that have attracted much attention during the past few decades. Distinctive approaches to studies on competitive advantage exhibit differences in their assumptions, units of analysis, and strategic implications; however, none of them can individually explain the whole concept of competitive advantage. Although competitive advantage is the core issue of strategic management in which stakeholder management is rooted, the two topics have developed seemingly independently in the literature. By focusing on value creation, value protection, and value capture, this paper suggests a theoretical framework that employs a stakeholder perspective, linking three approaches on competitive advantage—the resource-based view, the relational view, and the activity-position view. This framework provides insight to an incomplete picture of competitive advantage in the extant literature.

Keywords: competitive advantage, stakeholder management, the resource-based view, the relational view

1. Introduction

This paper examines the linkage between competitive advantage and stakeholder management. Competitive advantage is a very popular topic in the literature. Among the large number of studies on this theme, there are distinctive research streams based on different units of analysis which thus display various emphases. Three main approaches can be used to illustrate their major differences.

Firstly, based on the activity-position view, an organization’s competitive advantage is determined by how it successfully develops a set of activities to support its strategic positioning in the industry structure (Porter, 1985; 1991; Ghemawat & Rivkin, 2001). Porter’s (1980) five-force model suggests that firms need to assess the relative power and influences of their key stakeholders, including customers, suppliers, competitors, new entrants, and substitute producers. Hence, a firm’s superior performance is achieved by a strategic choice of a specific positioning in the industry structure and its capabilities to align its activities to fit that industry-specific position. In particular, Porter (1996) emphasizes that competitive advantage resides in business activities and activity systems, rather than firm resources. The second perspective is the resource-based view which argues that firms achieve different performance due to their competitive advantages (or disadvantages) generated from the resources they acquired or hold (e.g., Barney, 1991; Peteraf & Barney, 2003). An organization’s sustainable competitive advantage is dependent on if its strategic resources can meet the criteria: valuable, rare, imperfectly imitable, and non-substitutable (termed as VRIN) (Barney, 1991). This perspective pays attention to a firm’s internal resources, especially those that can support its strategic objectives (Peteraf & Barney, 2003). The third approach is the relational view. This approach emphasizes that distinctive competitive advantage are generated from cooperation or networks between firms, not from an organization’s unique resources or discrete activities (Dyer & Singh, 1998; Lavie, 2006). According to Dyer and Singh (1998), there are four possible inter-organizational competitive advantages that can be generated by organizational collaboration: relation-specific assets, knowledge-sharing routines, complementary resources (or capabilities), and effective governance. Accordingly, it would be difficult for an individual organization to create competitive advantage by itself. A firm’s ability to compete against its rivals is not based on the unique resources (or capabilities) held by the firm but relational resources (or capabilities) that are generated or co-created through active interactions and co-ordinations between organizations to achieve their common interest.

There are two important issues regarding competitive advantage in the extant literature. First, the different
approaches are based on distinctive assumptions and units of analysis, and each of them focuses on and explains only part of the story. In other words, there is a lack of a holistic approach to competitive advantage which reflects both the internal and external attributes of the firm. In addition, according to Coff (2003), a full picture of competitive advantage should comprise of three aspects: (1) source—the sources of competitive advantage; (2) durability—the factors that sustain a competitive advantage; and (3) appropriation—the appropriation of the benefits that are generated by a competitive advantage. The three aspects are interrelated and each is important on its own. For instance, studies on sources of competitive advantage are frequently concerned with its durability (e.g., Barney, 1991; Oliver, 1997); while durability of competitive advantage may be influenced by its appropriation by different stakeholders (Coff, 1999; 2003). Nevertheless, as Coff (2003) argues, most studies on competitive advantage focus on its sources. Comparative studies on its durability are relatively fewer in number than those on its sources. Among these, appropriation of competitive advantage is a relatively under-researched topic. While most studies focus on a single aspect of competitive advantage, little attention has been paid to examining the three aspects together within the academic and business literature.

On the other hand, stakeholder management has become a very common research subject in academia and is valued by enterprises, together with the growing interest in business ethics (Egels-Zandén & Sandberg, 2010). Since Freeman (1984) presented his seminal work, thousands of articles and books about stakeholder management or stakeholder theory have been published (Egels-Zandén & Sandberg, 2010; Laplume, Sonpar & Litz, 2008). This reflects that stakeholder interactions are more critical for managers today than ever before, as they face a more complex, ambiguous, and changing environment. Stakeholders of business have required more meaningful participation in strategic decisions, for they could offer not only challenges but also opportunities to firms. Svendsen and Laberge (2005) suggest that solutions to complex issues may be generated by stakeholder interactions. Following Freeman’s (1984) view, writers have increasingly acknowledged the importance of the role of stakeholder management in strategic management. For instance, Kay (1993) argues that an organization’s strategy is a result of its activities responding to different expectations of various stakeholders. In his view, engaging stakeholder relationships is a crucial part of an organization’s strategy process and will lead to its survival or failure. Similarly, Wolfe and Putler (2002) maintain that firms need to align their strategic objectives to stakeholder wants and needs and stakeholder management can help achieve successful strategic decisions. In the case of innovation, Hall and Martin (2005) point out that some stakeholders are crucial for the success or failure of the project. They go on to argue that firms should employ a contingency approach for managing distinctive stakeholders in different ways, in accordance with the dimensions such as ambiguity and complexity. Based on these studies, to manage complex and dynamic issues in today’s challenging environment, the conventional approach to strategic management is not adequate any more. An organization not only has to appreciate the wants and needs of its multiple stakeholders, but also to engage with them in order to create shared value that can benefit all relevant parties (Porter & Kramer, 2011).

In the book ‘Strategic Management: A Stakeholder Approach’, Freeman (1984) pointed out, “If you want to manage effectively, then you must take your stakeholders into account in a systematic fashion” (p. 48). Although Freeman highlights that stakeholder management is a crucial part of strategic management, few research linked stakeholder management to competitive advantage—a key subject in strategic management literature. Nonetheless, some studies have noticed the association between these two areas. Post, Preston and Sachs (2002) argue that the good relationships between an organization and its multiple stakeholders would positively contribute the generation of its wealth. In a similar vein, Rodriguez, Ricart and Sanchez (2002) suggest that constructive stakeholder interactions enhance a firm’s innovation and reputation and thereby lead to its sustained competitive advantage. However, a stakeholder perspective on competitive advantage is still not well developed yet.

The motivation for this study came from an attempt to understand how a firm can create and maintain its competitiveness in a complex and dynamic environment. The significance of multiple stakeholders to competitive advantage was the stimulus to this research and, in particular, the issue of how an organization manages its stakeholders with regard to its competitive strategy. As the relationship between stakeholder management and competitive advantage has not been well-explored, the purpose of this study is to examine the issue through a systematic approach. The rest of this paper will be organized as follows. After a brief literature review that introducing the building blocks for the whole concept of competitive advantage, an integrative theoretical framework based on a stakeholder view will be proposed. It will be followed by a discussion on how each building block contributes to this framework by comparing them. Conclusions are drawn in the last section.

2. Method: Literature Review

This study made a literature review of the three main perspectives on competitive advantage—the
resource-based view, the relational view, and the activity-position view—are chosen to provide the building blocks for the whole concept of competitive advantage. A number of researchers argue that these perspectives on competitive advantage are the most influential in the strategic management literature (e.g., Dyer & Singh, 1998; Lavie, 2006; Post et al., 2002; Rodriguez et al., 2002).

2.1 The Resource-Based View

The resource-based view argues that a firm’s competitive advantage comes from firm-specific resources that are valuable, rare, imperfectly imitable, and non-substitutable (Barney, 1991; Peteraf & Barney, 2003). Critical resources, being scarce in nature, are indispensable to generate differentially greater value, leading to better performance. Whether a resource is critical or not is determined by its superior efficiency that can provide the customers with higher value with a given cost or can provide them with the same level of value with a lower cost. A firm’s resources may include various forms such as its machinery and equipment, financial capital, human capital, management team, management systems, technology and knowledge, and intangible assets (e.g., reputation and brand). The resource-based view is in line with Williamson’s (1991) description of ‘economizing’ which is mainly concerned with efficiency and internally-oriented activities. Generally, the resource-based view focuses on the resources controlled by a firm (Peteraf & Barney, 2003). Research tends to center on intangible resources such as capabilities (e.g., Amit & Schoemaker, 1993; Dierickx & Cool, 1989), knowledge (e.g., Nonaka, Toyama & Nagata, 2000; Poppo & Zenger, 1998), or reputations (e.g., Fombrun & van Riel, 1997; Dolphin, 2004). In brief, it could be argued that the resource-based view explains performance differentials across firms in a factor-based, efficiency-oriented, and firm-level approach (Peteraf & Barney, 2003).

2.2 The Relational View

The relational view addresses the importance of strategic relational resources generated from collaboration between firms, which can be the source of competitive advantage (Lavie, 2006; Dyer, Kale & Singh, 2001; Dyer & Singh, 1998). Dyer and Singh (1998) suggest four potential sources of inter-organizational competitive advantage: relation-specific assets, knowledge-sharing routines, complementary resources, and effective governance. In the literature, the relational view tends to be regarded as an extension of the resource-based view (e.g., Lavie, 2006; Farjoun, 2002), for example, emphasizing knowledge or capabilities generated by inter-firm relations (Kogut, 2000; Rosenkopf & Nerkar, 2001). However, there are two issues that need to be addressed. First, the relational view focuses on shared resources instead of non-shared resources (Dyer & Singh, 1998; Lavie, 2006). Thus, the relational view itself could only complement the resource-based view, rather than replacing it. Other resources or capabilities that are built within the firm still play important roles in the generation of competitive advantage. Second, the relational view only refers to inter-firm relationships; it does not involve social partnerships between business and not-for-profit or civil society organizations, which could also create strategic advantages for firms (Eweje & Palakshappa, 2009). In summary, the relational view describes competitive advantage in a resource-based, relation-oriented, and inter-firm-level approach.

2.3 The Activity-Position View

In contrast to the resource-based view, the activity-position view is characterized by its focus on external environment (Jørgensen, 2008) despite its internal ingredients—the firm’s value chain/system (Porter, 1985; 1991) and activity systems (Porter, 1996). Porter (1980; 1985) suggests that competitive advantage comes from the strategy that effectively places the firm in a favorable position within an industry structure. Porter (1980) suggests a five-force model that can be used to determine whether a firm is in a favorable position in its industry. The five competitive forces include: the bargaining power of customers, the bargaining power of suppliers, the intensity of rivalry amongst firms in the industry, the threat of substitute products, and the threat of new entrants into the industry. In addition, Porter (1996) emphasizes the importance of a set of well-organized strategic activities, rather than an individual activity or the resources per se. The activity-position view is closely aligned with Williamson’s (1991) notion of ‘strategizing’ which is concerned with industry structure, market power, and competitive strategy. Porter (1990) introduces four key components in the external environment, a broad concept of industry structure, as a dynamic system: (1) input factor conditions, (2) demand conditions, (3) related and supporting industries, and (4) firm rivalry based on strategy and structure. Porter and colleague apply a similar concept, while using different terms in his subsequent research such as local environment (Porter, 1991) and competitive context (e.g., Porter & Kramer, 2006). To sum up, the activity-position view portrays competitive advantage in an activity-based, market-oriented, and industry-level approach.

3. Result: Towards a Stakeholder Perspective

Based on the extant literature of competitive advantage and stakeholder management, a framework was developed by focusing on the stakeholder view (addressing a firm’s critical stakeholders only). In particular, the
stakeholder view was required to integrate other theories because its theoretical foundation was inadequate (Grandori, 2005). Besides, the stakeholder view could be argued as an extension of the relational view (Post et al., 2002). However, the relational view does not address the role of stakeholders as resource providers or catalysts to contribute to the generation of firm-specific assets, if the resource-based view is not included. Furthermore, activities and resources are two sides of the same coin for explaining the source of competitive advantage (Sheehan & Foss, 2007). It is necessary to include the activity-position view to emphasize activities and drivers and to address the important stakeholders in the competitive context (Porter & Kramer, 2006).

Figure 1 exhibits two dimensions. One dimension is the level of analysis indicated by four columns; the other is the component of the competitive context. The stakeholder view incorporates and complements the three other views on competitive advantage in a holistic approach that encompasses all internal and external attributes of a firm. Each view on competitive advantage has its own focus on the level of analysis. The resource-based view focuses on firm level analysis and addresses firm-specific resources. The relational view centers on inter-firm level analysis and emphasizes relational assets generated from inter-firm collaborations such as strategic alliances. The activity-position view concentrates on industry or market level analysis and tackles activities and strategic position in the industry structure. The stakeholder view is concerned with all relevant stakeholders and provides a multiple-level analysis, including the society level which is not covered by the three other views.

Figure 1. An integrative theoretical framework

Notes: RBV: the resource-based view; RV: the relational view; APV: the activity-position view; SHV: the stakeholder view

By using the integrative framework, this paper seeks to contribute to the literature on competitive advantage and stakeholder management in three ways. First, competitive advantage is contributed by various factors and it requires explanations from multiple perspectives on competitive advantage, confirming the need for a holistic approach. Second, the integrative framework reflects both internal and external environments of the firm by integrating three main views on competitive advantage. The three views include many critical stakeholders, such as employees and shareholders at the firm level, strategic partners at the inter-firm level, and customers and suppliers at the industry level. Integrating the three perspectives with the stakeholder view allows researchers to examine the linkage between competitive advantage and stakeholder management in a systematic approach.
Third, the stakeholder view is able to encompass the three views and explain how they complement each other. The framework also helps to examine the three important aspects of competitive advantage—source, durability and appropriation—in terms of value creation, value preservation, and value capture (which will be discussed in the next Section).

Based on the discussion above, the resource-based, the relational, and the activity-position views demonstrate distinctive levels of analysis. Peteraf and Barney (2003) indicate that multiple levels of analysis contribute significantly to an understanding of competitive advantage. However, integration is not simply combining these perspectives together. To reconcile different perspectives needs systematic analysis because there are not only different assumptions but also contrasting core logics involved (Lengnick-Hall & Wolff, 1999).

According to Post et al. (2002), the stakeholder view is a comprehensive approach to examine how a firm creates its wealth. The stakeholder view is compatible with the three perspectives on competitive advantage. First, stakeholders are the major providers of resources to firms; for example, employees supply labor and shareholders supply capital (Harrison & St. John, 1997). Besides, stakeholders are catalysts facilitating the generation of valued resources such as reputations or trusts for a firm. These resources are often co-created by the firm and its stakeholders (Gregory, 2007; Heugens, van den Bosch & van Riel, 2002). Thus, the stakeholder view is consistent with the resource-based view, in terms of obtaining valued resources. Second, the stakeholder view could be regarded as an extension of the relational view, including the relationships between a firm and its other stakeholders, rather than being limited to inter-firm business partnerships (Andriof & Waddock, 2002; Post et al., 2002). Third, Freeman (1984) argues that stakeholder management is compatible with Porter’s five-force model, but focuses more on stakeholder wants and needs; he proposes a modification, incorporating a sixth force—relative power of other stakeholders, which advances the focus from industry structure towards stakeholder structure. Moreover, the stakeholder perspective regards firms as ‘value-based networks’ that work together with their stakeholders to create value (Wheeler, Colbert & Freeman, 2003). Hence, the stakeholder view is quite compatible with the activity-position view, in terms of engaging activities for enhancing firm value.

4. Discussion: Comparing Various Perspectives

Although the three perspectives on competitive advantage exhibit different focal points, they are not totally contradictory. In terms of distinctive levels of analysis, they contribute to the common issues of value creation, value preservation and value capture (see Table 1).

4.1 Value Creation

The source of competitive advantage is concerned with value creation. The resource-based view asserts that the resource heterogeneity creates differential value among firms (Peteraf & Barney, 2003). As shown in Table 1, in the row labeled ‘Value creation’, firm-specific resources include physical assets, human resources, technology and knowledge, financial capital, and intangible assets (e.g., trademarks, patents, copyright, and goodwill). Efficiency of critical resources that can create more value than rivals can is the root of competitive advantage. The relational view extends the concept of critical resources to relational resources. Shared resources, such as relation-specific assets, knowledge sharing routines, and complementary resources, generated by close buyer-supplier relationships or strategic alliances play the lead characters, which dominate value creation (Lavie, 2006; Dyer & Singh, 1998). According to the activity-position view, strategic choices, firm activities and related drivers determine the relative competitiveness. Strategic positioning in the context of the industry structure, in this view, is much more important than efficiency in the process of value creation (Porter, 1980; 1985; 1996). In particular, Porter (1991) argues that resources and capabilities contribute to competitive advantage only if they support favorable positions of the firm, which are often guided by managerial choices.

Interestingly, Lado, Boyd, and Hanlon (1997) suggest a useful taxonomy of firm resources: (1) market, (2) internalized, (3) relational, and (4) symbolic and idiosyncratic resources. Market resources refer to those that can be acquired from the markets, such as materials, parts, and components. Internalized resources refer to those that are directly controlled by the firm, such as patents, formulas, technology, and production or innovation capabilities. Relational resources refer to those that are generated by inter-firm relationships, as proposed by the relational view. Symbolic and idiosyncratic resources refer to those that are intangible and socially complex, which could facilitate a firm to accumulate, improve, and organize the tangible resources, such as trust, reputation, and reciprocal exchange. The value of symbolic and idiosyncratic resources is relevant to the arguments that engaging stakeholders could help firms generate competitive capabilities through trust, innovation, and reputation (e.g., Ayuso, Rodriguez & Ricart, 2006; Jones, 1995; Rodriguez et al., 2002).
Table 1. Comparing different perspectives of competitive advantage

<table>
<thead>
<tr>
<th>Level of analysis</th>
<th>The resource-based view</th>
<th>The relational view</th>
<th>The activity-position view</th>
<th>The stakeholder view</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value creation</td>
<td>Firm</td>
<td>Inter-firm</td>
<td>Industry structure</td>
<td>Generic</td>
</tr>
<tr>
<td></td>
<td>Firm-specific resources</td>
<td>Inter-firm resources</td>
<td>Activities and strategies</td>
<td>Stakeholder management</td>
</tr>
<tr>
<td></td>
<td>• Physical assets</td>
<td>• Relation-specific assets</td>
<td>Generic strategies of positioning: cost advantage, differentiation and focus</td>
<td>• Market resources</td>
</tr>
<tr>
<td></td>
<td>• Human resources</td>
<td>• Knowledge-sharing routines</td>
<td></td>
<td>• Internalized resources</td>
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<tr>
<td></td>
<td>• Knowledge/technology</td>
<td>• Complementary resources</td>
<td></td>
<td>• Relational resources</td>
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<td></td>
<td>• Financial resources</td>
<td>• Effective governance</td>
<td></td>
<td>• Symbolic and idiosyncratic resources</td>
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<tr>
<td></td>
<td>• Intangible resources</td>
<td></td>
<td></td>
<td>• Activities and strategies</td>
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<tr>
<td>Value preservation</td>
<td>Firm-level barriers to imitation</td>
<td>Inter-firm barriers to imitation</td>
<td>Drivers of activities</td>
<td>Appropriation between the firm and its multiple stakeholders, including resource providers, strategic partners, customers, suppliers and other stakeholders.</td>
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<td></td>
<td>• Resource scarcity</td>
<td>• Causal ambiguity</td>
<td>• Economies of scale</td>
<td>Isolating mechanisms generated by stakeholder management</td>
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<tr>
<td></td>
<td>• Causal ambiguity</td>
<td>• Time compression diseconomies</td>
<td>• Cumulative learning</td>
<td>• Time compression diseconomies</td>
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<td></td>
<td>• Time compression diseconomies</td>
<td>• Inter-organizational asset interconnectedness</td>
<td>• The timing to market entry</td>
<td>• Causal ambiguity</td>
</tr>
<tr>
<td></td>
<td>• Asset stock interconnectedness</td>
<td>• Partner scarcity</td>
<td>• Linkages between activities</td>
<td>• Social complexity</td>
</tr>
<tr>
<td>Value capture</td>
<td>Appropriation between the firm and its resource suppliers based on relative bargaining power arising from the ability to form coalitions, unique information, or switching costs.</td>
<td>Appropriation between allied firms based on relative bargaining power stemming from asset specificity, monitoring costs, etc.</td>
<td>Appropriation between the firm and its customers or suppliers based on relative bargaining power inherited in the market/industry structure</td>
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Source: adapted from Coff (2003); Dyer & Singh (1998); Post et al. (2002)

Value creation is not only the key issue of competitive advantage but also the main theme discussed in the stakeholder management literature. For example, Freeman and Liedtka (1997) suggest a new perspective of the firm as creating value for stakeholders, termed stakeholder capitalism, emphasising that value creation, instead of value capture, must be the priority of the organization. Freeman and McVea (2001) suggest that creating value for multiple stakeholders provides opportunities that inspire change and innovation. McVea and Freeman (2005) argue that a stakeholder approach offers a “unique and neglected contribution to decision-making processes, particularly in innovative and entrepreneurial fields” (p. 59). From the stakeholder view, Lado et al.’s (1997) taxonomy could be a good foundation for integrating different perspectives on competitive advantage. As sources of competitive advantage are manifold, a firm can be regarded as a value-based network (Wheeler et al., 2003) and can enhance its capacity to generate value by formulating a set of good and reliable relationships with its multiple stakeholders, through valued resources as well as activity drivers. In brief, stakeholder management is quite compatible with competitive advantage in relation to value creation. However, the relationship between stakeholder management and the source of competitive advantage still merit further exploration.

4.2 Value Preservation

The durability of competitive advantage is concerned with value preservation. As shown in Table 1, in the row labeled ‘Value preservation’, to prevent imitation from rivals, the resource-based view addresses isolating mechanisms related to firm-specific resources, such as resource scarcity, causal ambiguity, time compression diseconomies, and asset stock interconnectedness (Barney, 1991; Dierickx & Cool, 1989; Peteraf & Barney,
2003). The relational view, in addition to causal ambiguity and time compression diseconomies, accentuates isolating mechanisms related to relational resources, including inter-organizational asset interconnectedness, partner scarcity, and resource indivisibility (Dyer & Singh, 1998). Alternatively, means to preserve competitive advantage suggested by the activity-position view focuses on drivers of activities, such as scale, sharing across activities, and optimal degree of integration, which configure firm resources to meet the strategy (Porter, 1985; 1991; Sheehan & Foss, 2007).

Following the multiple-source logic, the stakeholder view integrates different perspectives, according to their respective levels. Hence, isolating mechanisms generated by stakeholder management includes time compression diseconomies, causal ambiguity, social complexity, and transaction costs, which make it difficult for competitors to imitate a firm (Cennamo, Berrone & Gomez-Mejia, 2009; Jones, 1995; Rodriguez et al., 2002). However, if a stakeholder approach is compatible to one of the three perspectives of competitive advantage—the resource-based, the activity-position, and the relational views, it should offer some elaboration on how stakeholder management can help a firm to sustain the competitive advantage generated, based on the specific perspective applied or, for instance, how stakeholder management may help sustain an advantage generated from enhanced mobilization of resources, increased switching costs, or improved proprietary learning, etc. Thus, there is a need to examine how to sustain competitive advantage by stakeholder management.

4.3 Value Capture

The appropriation of competitive advantage is concerned with value capture. As shown in Table 1, in the row labeled ‘Value capture’, the resource-based view addresses the issue of appropriation between the firm and its resource suppliers based on relative bargaining power. Coff (1999) posits that relative bargaining power is determined by the stakeholder’s ability to form coalitions, their unique information, or switching costs. The transaction cost economists argue that bargaining power relies on asset specificity, information asymmetries, and monitoring costs (e.g., Williamson, 1985). This argument can be also applied to the situations proposed by the relational view, relative bargaining power of allied firms or strategic alliances. The activity-position view focuses on appropriation between the firm and its customers or suppliers that can be based on relative bargaining power inherited in the market/industry structure (Porter, 1980), and the ability of the managers to identify the opportunities for competitive success in the context (Porter, 1991). The traditional perspectives on competitive advantage usually ignored the role of society value in strategic decisions.

Value capture has frequently been addressed in the stakeholder management literature. For example, Clarkson (1995) points out that it is crucial for managers to distribute the economic value generated by the firm among primary stakeholders appropriately. Similarly, Asher, Mahoney and Mahoney (2005) emphasize that both value creation and value capture are important and managers need to take all relevant stakeholders into consideration in their strategic decisions. In particular, the stakeholder perspective is a shift from organizational value to a broader society value (Lepak, Smith & Taylor 2007). The stakeholder view proposes to involve all relevant stakeholders while dealing with appropriation of interests. However, tackling multiple stakeholders could be challenging and complicated. Managers need to consider value creation and value capture together. As Lepak et al. (2007, p. 187) put it, “the issue of different stakeholders and competing interests makes the issue of value creation very complex and also points to the importance of capturing value.” Appropriation of competitive advantage is a typical type of value capture that involves dealing with the bargaining power of different stakeholders. It is complex for managers to balance different stakeholder demands. As indicated by Jensen (2002), the stakeholder management literature did not give clear guidance for determining how to prioritize stakeholder interests or even how to reconcile the interests. Coff (2003) also indicates that the appropriation of competitive advantage is a relatively under-researched area. Thus, it requires exploring the managers’ role in developing and sustaining competitive advantage while they face the issue of value capture among stakeholders.

5. Conclusion

The purpose of this study is to examine the source, durability and appropriation of competitive advantage through a systematic approach. This study proposes a theoretical framework based on a stakeholder perspective. To find a holistic approach, the starting point was trying to integrate the three distinctive views, namely the resource-based view, the relational view, and the activity-position view. From the discussion above, each view on competitive advantage makes a unique contribution to the stakeholder perspective, based on its individual level of analysis. In essence, the linkage between stakeholder management and competitive advantage is value—in terms of value creation, value preservation, and value capture. However, integration is not simply combining them together. To reconcile different views requires taking the different underlying assumptions into account. Through a generic level of analysis that involves all critical stakeholders, the stakeholder perspective is a holistic
and coherent approach to embrace the three views on competitive advantage and go beyond merely combining them directly. Nevertheless, the stakeholder perspective on competitive advantage is not meant to replace any of them. It is complementary to the three views, by providing a different dimension for better understanding the strategic decisions of firms. Future research could examine several areas, such as (1) how stakeholder management influences the source of competitive advantage; how stakeholder management helps a firm to sustain its competitive advantage; and, how managers perform their roles in developing and maintaining competitive advantage by balancing different stakeholder demands.

References


