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A Property Rights Theory of Competitive Advantage

Are companies’ central objectives – to develop a sustainable competitive advantage and maximize profit – disconnected from social welfare and the goals of society? Are traditional theories of strategy still suitable in the knowledge economy? In the article A Property Rights Theory of Competitive Advantage, published by Wiley on behalf of Strategic Management Journal, Roland Bel, a researcher from KEDGE Business School tackles these questions, showing that business objectives can be reconciled with social welfare and proposing an update to two major theories of strategy.

First, the article formally demonstrates that a firm can only develop a sustainable competitive advantage and generate profits over the long run if it is able to maximize social welfare with its assets. If another firm could improve social benefits, it would ultimately become the owner of the assets through processes of mergers and acquisitions. The article reconciles the social purpose of the existence of the firm with the question of competitive advantage and the goal of outperforming others. In their chase of competitive advantage, firms succeed precisely because they are able to increase social prosperity.

In the Resource-Based View (a prominent strategy theory), managers are encouraged to develop resources and capabilities that are valuable, rare, and difficult to imitate and substitute, in order to build a competitive advantage. However, the knowledge economy is characterized by the growing importance of networks and complementors – owners of complementary resources or sellers of complementary goods – in addition to competitors. In this context, the article highlights the strategic importance of two additional characteristics: resources must also be collaborative and easy to combine. For example, successful companies develop their capabilities of forming alliances or of developing open innovation, integrating outside technologies in their development processes.

The article also suggests new strategies to practitioners, in addition to traditional Porter’s generic strategies – cost, differentiation and focus. Managers should consider platform strategies – maximizing the number of complements – and coordination strategies – increasing the complementary of the focal assets/products – as new ways to maximize the contribution and thus the return of a firm in its environment. For example, the success of Apple’s iPhone can be attributed in part to their ability to promote the development of complements, the Apps.

Overall, the article extends the scope of preeminent strategy theories with the integration of strategic networks of complementors and social welfare considerations, opening up new avenues for research and providing new insights for managers.

According to Roland Bel, professor of strategy and innovation at KEDGE Business school, “In their search for a sustainable competitive advantage, managers should consider how their firm could maximize social value. They should develop resources and capabilities that complement their environment and adopt strategies that not only generate and sustain value, but also augment value by maximizing the contribution of the firm to its environment.”

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The Strategic Management Journal publishes original material concerned with all aspects of strategic management. It is devoted to developing the core understanding of strategic management. The journal publishes research that is designed to appeal to strategy scholars, with implications within and across papers that are relevant for practicing managers. Published papers reflect the judgment of journal editors, who draw on the opinions and expertise of the journal's editorial board as well as additional reviewers when needed. Editorial comments, invited papers on practices and developments in strategic management, and comments from readers on published papers or current issues appear from time to time as warranted by new developments.

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