# Before the Attack: A Typology of Strategies for Competitive Aggressiveness

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*We argue that a firm's competitive actions should flow from a strategy. Yet, the issue of strategy has seemingly been ignored in the competitive dynamics literature. To address that gap, we distinguish between the logics of innovativeness and competitive aggressiveness and build the foundation for a competitive strategy by outlining the economic mechanisms of competitive action that lead to superior performance. Drawing on the resourced-based view of the firm we develop three resource-based attacks that may be used by competitively aggressive firms. Using this foundation, we derive a typology of strategies that use competitive actions to achieve sustained competitive advantage.*

Competitive dynamics literature frequently refers to certain types of competitive actions as either "tactical" or "strategic." Tactical actions are typically easy to start or stop and do not reflect a substantial investment of resources. Alternatively, strategic undertakings imply a more substantial investment of resources and a greater commitment to the action by the firm (Ferrier & Hun, 2002). The foregoing terminology is unfortunate, as it appropriates the word "strategy" from its proper role and instead ties it to distinguishing types of action. Actions, however, are tactical in nature and thus specifically refer to the *implementation* of strategic choices (Kaplan & Norton, 2001). We suggest in this paper that there should be a strategy that guides the adoption of particular competitive actions. Accordingly, we develop a typology of various strategic rationales for taking selected competitive actions.

Investigating the interplay of competitive moves and countermoves within an industry, competitive dynamics researchers have investigated the impact of the initiator, the competitive attack, the competitive environment, the responder, and the competitive response, often testing relationships between these factors and firm or industry performance (Smith, Ferrier, & Ndofor, 2001). For example, Chen and Hambrick (1995) found that small firms tend to attack more often, but large firms are more likely to respond when attacked. This attack/response dynamic tends to hurt industry profitability, though the most aggressive firm suffers the least (Young, Smith, & Grimm, 1996). Vigorously competitive industries are redolent of a Red Queen effect, where successful competitive attacks lead to faster and more strong competitive responses and ultimately a reduced performance gain for the attacker (Derfus, Maggitti, Grimm, & Smith, 2008).

An important, yet under-researched, question is whether firms had a strategy *before* launching competitive attacks. In other words, did they have a specific end goal in mind that their competitive actions logically could have achieved? Answers to this question are virtually unknown. Extant competitive dynamics research has not extensively developed a strategy *for taking* competitive actions. Rather, its unique contributions are more about the *tactics of* taking competitive action. Discussions address tactical matters such as volume, duration, competitive repertoire, and speed of execution (e.g., Smith et al., 2001). Indeed, a pattern of adopting competitive actions is seen by some as constituting a strategy (W. J. Ferrier, Fhionnlaoich, Smith, & Grimm, 2002; Smith, Grimm, & Gannon, 1992).

We propound, though, that firms have strategic orientations which drive their strategies, and that their taking competitive action is consistent with that orientation, support the strategy, and is aimed toward a specific strategic outcome. Our paper focuses on strategies consistent with high levels of competitive aggressiveness. The remainder of the paper proceeds as follows: We begin our paper by addressing the difference between the logic of innovativeness versus competitive aggressiveness. We next build the foundation for a competitive strategy by drawing from the acquisitions literature to outline the economic mechanisms that lead to superior performance. We then further develop the resource-based attacks that may be used by competitively aggressive firms. Finally, using a competitive framework developed by Chen (1996), we derive a typology of strategies that use competitive actions to achieve sustained competitive advantage.

## INNOVATIVENESS VERSUS COMPETITIVE AGGRESSIVENESS

The focus of competitive dynamics is on market disequilibrium created when a firm takes competitive action (Ferrier, 2001; Jacobson, 1992; Young et al., 1996) and has not yet focused on the motivation or strategic orientation behind that attack. When developing a typology of competitively aggressive strategies, we suggest the underlying strategic orientation is critical. Entrepreneurial Orientation (EO) is a leading strategy typology in the management literature and considers "the processes, practices, and decision-making activities" that lead to firm entrepreneurial activity (Lumpkin & Dess, 1996:136; Venkatraman, 1989). Lumpkin and Dess (1996) have proposed five dimensions of EO: (1) autonomy: ability and will to take independent action; (2) proactiveness: pursuit of market opportunities and environment-shaping activities; (3) risk-taking: willingness to make large investments—personal, social, and financial—with uncertain payoffs; (4) innovativeness: pursuit of new or novel ideas that may lead to new products or services; and (5) competitive aggressiveness: willingness to challenge and outperform rivals. We focus specifically on the dimensions of competitive aggressiveness and innovativeness as we seek to clarify the firm's orientation toward competitive actions. While innovativeness is aimed at introducing new products, which is a type of competitive action, competitive aggressiveness is more rival-focused. Their underlying logics are distinct and worth a further discussion as a failure to do so may inhibit understanding the strategies of competitive action. Admittedly, it is theoretically possible that a firm could have high levels of competitive aggressiveness and innovativeness (Apple would seem to be such a firm). Extant work indicates, though, that this situation is relatively uncommon.

When a company introduces a new product, is that introduction a result of a firm's innovativeness and thus a "first mover" attempt to create new market space or is the introduction an attempt to target the market position of a rival? This is an important question because the strategies of innovation fundamentally differ from those of competitive aggressiveness (Lumpkin and Dess, 1996). Further, although a firm could simultaneously have high levels of innovativeness and competitive aggressiveness, research suggests the correlations between these two orientations are low, ranging between .04 (Chang et al., 2007) and .11 (Hughes & Morgan, 2007). As such, when adopting competitive action, a firm may be operating from an innovation logic or from a competitively aggressive logic, but usually not both.

### Innovativeness

Lumpkin and Dess (1996, p. 142) suggest innovation is "…a willingness to depart from existing technologies or practices and venture beyond that current state of the art" and that this willingness often results in new products and services. The logic of innovation is well-illustrated in Kim and Mauborgne's (2005) *Blue Ocean Strategy*. They propose that blue oceans are uncontested market spaces where the innovative firm moves to a new strategic position having no competitors. In contrast, red oceans typify the presence of firms competing for the same customers, with firms attacking the strategic positions of rivals. Particularly important is that innovators create new value and often stimulate new demand in an existing industry.

Kim and Mauborgne (2005) illustrate this creation of new demand with the actions of Callaway, a premium golf products manufacturer. Rather than focusing on the needs of current golfers, Callaway investigated why some physically-active adults rejected golf as their sport of choice. Callaway found that non-golfers viewed the game as too difficult to master. Callaway then introduced a series of golf clubs designed to afford new golfers opportunity to achieve reasonable proficiency fairly easily. The denouement was Callaway's positioning itself as the golf club of choice for new (and many current) golfers. Callaway thus increased overall industry demand by drawing more people to the sport of golf; it largely had this new market to itself. By choosing to innovate and focus on new customers, Callaway worried less about its existing competition. This approach is different from choosing to fight current competitors.

**Competitive Aggressiveness**

Lumpkin and Dess (1996, p. 148) define competitive aggressiveness as: "a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the marketplace." In contrast with proactive pursuit of new markets made possible by value innovations, competitive aggressiveness focuses on threats imposed by competitors and battles over existing customers. Lumpkin and Dess (1996) further suggest that competitive aggressiveness involves a "combative posture" that entails a "forceful response to competitors' actions" (2001, p. 431). Responsiveness entails either preempting the rival's strategy through a competitive move or reacting to the rival's competitive actions. Lumpkin and Dess (1996) add that competitive aggressiveness includes a "willingness to be unconventional rather than rely on traditional methods of competing" (1996, p. 149). Ferrier and colleagues, drawing on hyper-competition literature, add that competitive aggressiveness involves a high speed of action as well as the ability to simultaneously conceive of multiple attacks using varied repertoires (Ferrier et al., 2002).

This preceding description portrays a rich image of competitive aggressiveness. Firms high in competitive aggressiveness are intensive, forceful, and combative, implying willingness to plot and execute competitive actions as the firm directly challenges rivals. The desired outcome for these competitive strategies is clear: a higher level of performance than their rivals as firms engage in the" …incessant race to get ahead or to keep ahead of one another" (Kirzner, 1973, p. 20).

*Three Drivers of Competitive Behavior*

Chen (1996) outlines three drivers for competitive behavior: awareness, motivation, and capability. We advance the idea that awareness, motivation, and capability are manifested as firm processes (Dutton & Duncan, 1987) and suggest that these processes makes some firms more competitively aggressive than others. *Awareness* entails analysis of a firm's rivals, real-time tracking of its rivals' competitive actions, and dissemination of this information. There is substantial variation among firms in their demonstrated levels of awareness (D. B. Montgomery, Moore, & Urbany, 2005; Zahra & Chaples, 1993; Zajac & Bazerman, 1991). Some of this variation is due to firms that shun such red ocean actions as they seek to innovate to blue oceans. The primary reason behind the variation, however, is that the monitoring and analysis functions inherent in rival awareness are costly in terms of physical and cognitive resources of the firm (Cyert & March, 1963; Dutton & Jackson, 1987; Ghoshal & Westney, 1991; Ocasio, 1997). The most competitively-aggressive firms choose to invest in these processes and thus have a higher level of awareness.

The second key factor behind competitive aggressiveness is *motivation*. There are two distinguishing characteristics of a highly competitively-aggressive firm in this regard. First, outperforming its rivals is important for an aggressive firm. Other companies may choose other reference points, such as past performance or internal goals, and be satisfied with meeting such targets (Fiegenbaum & Thomas, 2004; Shoham & Fiegenbaum, 2002), but competitively aggressive firms seek out information on the performance levels of their rivals and then compare themselves against their rivals' performance (M. E. Porter, 1980). The second characteristic of competitively aggressive firms is that they see the challenging of the rivals' positions as an appropriate and necessary step in furthering their own performance. Moreover, they may attribute any performance shortfall to the actions of a rival.

A high level of motivation and awareness, however, become salient only in the presence of the third factor—the firm's *capability* to launch and counter competitive attacks. Part of this capability are the tangible resources of a firm such as slack funds generated by strong past performance (Smith, Grimm, Gannon, & Chen, 1991). But a competitively aggressive firm also identifies available resources and prioritizes them to attack when less aggressive firms might look at the same resource base and see little. The more aggressive organizations are better at creating effects with the resources available rather than waiting for optimal resources to become available (Baker & Nelson, 2005; Read & Sarasvathy, 2005).

### Summary: Innovativeness Versus Competitive Aggressiveness

In summary, being competitively aggressive is about firms' vigilant and forceful defense of their current market position while seeking to undercut their rivals' position. To do so, they carefully and continuously monitor and analyze their rivals, are motivated to improve their performance by attacking those firms, and are ingenious in their deployment of firm resources to launch attacks. The desired end result of the competitive attacks is sustained performance that is superior to that of their rivals. Admittedly, a crucial outcome of innovation is also superior performance; the orientation and subsequent practices of innovation are very different, however, from competitive aggressiveness. The attack of a rival's position is not the aim but rather the byproduct of innovation, and indeed most radical innovations make the existing competition immaterial (Kim & Mauborgne, 2005). Alternately, for competitive aggressiveness the focus is to attack the rival's position. Accordingly, in this paper we focus upon firms operating in red oceans, using a strategy of competitive aggressiveness to improve performance.

A strategy of competitive aggressiveness carries high risks. Porter (2008) avers that price discounting is one of the easiest-to-employ and most commonly used competitive actions. Yet, it is often harmful to firm and industry profitability, at least in the short term. Furthermore, discounting teaches the customer to make price the sole criterion when choosing among rivals' products. Hence, using these types of actions without also attempting to create a non-price-based switching cost to the customer is likely to accomplish little for the firm in the long term. The greatest threat to profitability, though, is directly taking on a rival's position—targeting the same customers with similar products—and is the essence of a competitively aggressive strategy (Porter, 2008). Precisely because the taking of competitive action does have potential negative implications for a firm's profitability, a firm importantly must have a strategy when using competitive actions to earn superior returns. Developing that strategy requires understanding the mechanisms linking the strategy with superior performance, the enabling actions, and the desired strategic outcomes with their associated costs. We turn next to those issues.

## FOUNDATION OF COMPETITIVE AGGRESSIVENESS STRATEGIES

### Mechanisms of Competitive Aggressiveness: Increased Market Share and Profitability

We use the strategies and underlying economic logics of mergers and acquisitions (M&A) to introduce the mechanisms that link a competitively aggressive strategy with superior returns. As with competitive aggressiveness, M&As are a potentially "high risk-high potential" strategy, with acquiring firms doing poorly about as often as they do well from a financial perspective (King, Dalton, Daily, & Covin, 2004). The central underlying economic logic justifying an M&A is synergy: simply put, the joined firms can achieve higher returns than each could separately (Harrison, Hitt, Hoskisson, & Ireland, 1991). The economic mechanisms for generating these higher returns are economies of scope and market power. The recent Delta-Northwest Airlines merger demonstrates both mechanisms. The 2008 merger promised very modest cost reductions and limited personnel cuts, with additional economies of scope coming from the opportunity to combine their route network and offer each other's customers new locations. Equally important yet downplayed owing to antitrust review concerns was that this merger created the largest airline in the world with the concomitant increase in its power over suppliers and buyers (Carey & Prada, 2008). This afforded the new Delta ability to demand lower prices from suppliers such as Boeing or Airbus, while simultaneously being able to raise fares in certain markets. This market power should translate into higher returns for the new Delta.

If economies of scope and market power are the economic mechanisms that link an acquisition with superior returns, what are the analogous mechanisms that link a competitively aggressive strategy with superior returns? In examining the dyad of competitive actions between an attacker and rival, Chen (1996) suggests that the attacker's aim is to take market share from the rival or reduce the rival's returns. We agree, and slightly expand the concept and propose that a firm builds superior returns relative to its rivals with a competitively aggressive strategy by increasing its relative market share and/or augmenting its relative profit margin.

The linkage between increased market share and increased returns assumes that a firm can take a rival's share while still retaining a sufficient profit margin (i.e., its profits are larger as a result of the attack). Adding to this profit gain is the possibility that the increased market share generates economies of scale (i.e., costs decline and profit margins stay the same or even increase). Although these gains are theoretically attractive, they can be difficult to attain in practice. Porter (2008) cautions that attempts to gain general market share often triggers vigorous counterattacks which leave the entire industry less profitable. Indeed, Montgomery and Wernerfelt (1991) observe exactly that effect in the brewing industry and find increased market share actually hurts a firm's financial performance. Nevertheless, a meta-analysis of forty eight studies found a small, positive relationship between increased market share and performance (Szymanski, Bharaadway, & Varadarajan, 1993). Therefore, apparently gaining relative market share is an effective though potentially treacherous path to superior performance.

A second, potentially complementary path to superior relative performance would be to increase the firm's profit margin relative to its rivals by either reducing its costs or increasing its pricing power. Firms might try to reduce costs and improve their pricing power without necessarily referencing or directly seeking to undercut their rivals (Porter, 1980). Competitively aggressive firms, however, may also endeavor to increase the costs of their rivals or decrease their pricing power so as to shift relative profit margins. Indeed, an optimum competitive attack would affect both the attacker and attacked simultaneously, as illustrated by a recent Wal-Mart initiative. Using its market power and already substantial trucking fleet, Wal-Mart approached its U.S-based suppliers about transferring from the supplier to Wal-Mart the responsibility for delivering the merchandise from the suppliers' manufacturing sites to the Wal-Mart distribution center (Burritt, Wolf, & Boyle, 2010). On the surface, this seems to be yet another move for Wal-Mart to decrease its costs through its vaunted efficiency. However, by reducing the suppliers' economies of scale in their shipping function, conceivably Wal-Mart will effectively increase the costs its competitors must pay to purchase from those same suppliers. As such, Wal-Mart gains two propitious outcomes with the same competitive initiative —it reduces its own costs and increases its rivals' costs.

Another example from Wal-Mart's competitive repertoire demonstrates an attack on the profit margins of an erstwhile rival—the electronics retailer Circuit City. Analysts estimated that virtually all of Circuit City's profits came from the sale of extended warranties on items such as televisions and computers. In October 2005 Wal-Mart began offering extended warranties. Wal-Mart chose not merely to match or slightly undercut the existing price structure for extended warranties; it chose to set prices 50 percent below those of Circuit City (Berner, 2005). Denied this profit sanctuary and under subsequent pricing attacks initiated by Wal-Mart, Circuit City declined rapidly and filed for bankruptcy in 2008. This attack demonstrates that some competitive forays may simultaneously shift market share and affect relative profit margins.

### Competitive Actions: Three Ways of Attacking a Firm's Resources

Competitive actions are the means firms use to shift market share and affect relative profit margins. The extant competitive dynamics literature addresses many of the observable and best-known competitive tactics employed by firms. Ferrier and colleagues (1999), for example, categorize competitive actions into the following: pricing actions, product actions, signaling actions, marketing actions, capacity actions, and legal actions. Gimeno and Woo (1999) focus on when airlines establish new routes and exit existing routes, which is also a form of product action. The majority of such actions focus on the battle for market share, yet Chen (1996) suggested that firms battle over resources as well as customers. We suggest that the battle over resources is an important, though underdeveloped, arena of competitive behavior. This underdevelopment is surprising as one of the major theoretical advances in strategic management is Barney's (1991) resource-based view (RBV) of the firm, which establishes that a firm's heterogeneous resource base is central to a firm's competitive advantage. Attacking a firm's resource base would seem a logical corollary of RBV. Part of the reason for this underdevelopment may be that resource actions could be less obvious, and might even be publicly denied by a firm if such a denial is plausible. Wal-Mart's initiative to in-source the transportation from its suppliers to its distribution centers could be framed as a resource attack in that it affects its rivals' supplier costs. Yet, Wal-Mart portrayed the initiative as an internal cost-cutting move that would benefit its customer. That ploy was left to industry analysts to decipher the likely impact on Wal-Mart's rivals.

We suggest that targeting a rival's resources may be an even more deliberate attack than launching a new marketing campaign or product. Firms with innovation strategies that pay little attention to rivals may introduce new products with an accompanying marketing campaign. Further, new product innovations or marketing campaigns could clearly stimulate demand for an entire industry, making such action something other than a zero-sum game (Porter, 2008). The same cannot be said, though, for a resource attack. One firm's gain is almost certainly another firm's loss. Thus, perhaps the more competitively aggressive firms turn to resource-based competitive moves.

We see the concepts of resource-based competitive attacks as underdeveloped and propose a typology with three attack categories: deny, defect, and debase. A *deny* attack entails a firm trying to lock up a potential resource to either prevent a rival's access or increase its rival's costs to access the resource. The *defect* attack is more direct and is occurs when the firm seeks to take a resource from a rival and then use the purloined resource. The *debase* approach differs from a defect attack in that it does not endeavor to take the resource away but rather to undercut the value of the resource.

### *Deny Attack*

Of these three approaches, a deny attack is perhaps the most surreptitious because it may be done with little visibility and for ostensibly other reasons. Santos and Eisenhardt (2009) discovered that several new, successful ventures chose to quietly acquire other nascent firms for a reason contrary to conventional M&A logic. These ventures saw little synergy between them and their acquisition targets. Rather, the ventures decided to block other existing or prospective competitors from acquiring the target firm and its resources. In short, the ventures were seeking to deny competitors easy access to what could be potentially synergistic resources. Framed in the five-forces model (Porter, 1980), denying these resources was an attempt to erect an entry barrier. Although not insurmountable, these entry barriers would have raised a competitor's cost structure and helped the venture preserve a relative profit margin advantage.

Google's 2006 acquisition of YouTube illustrates this approach. Paying over $1.6 billion for a 19-month-old firm with only a few dozen employees and an unproven business model would seem to make little economic sense, particularly because Google already had cachet as the web's leading innovator. The acquisition, however, did prevent Microsoft, who was reportedly interested in YouTube, and others from gaining easy entry into the video-sharing market and closing the gap with Google.

Acquisitions are not the only tools in a denial approach. Patent infringement lawsuits (e.g. Netflix suing Blockbuster over the use of Netflix's web-ordering/mail-delivery business model) can serve to completely deny or slow a rival's use of a new technology, or perhaps may shift the relative profit margin in its favor by requiring a one-time or ongoing royalty for the rival's use of the technology. Another tool is securing exclusive rights to a valuable resource. An example: AT&T's five-year lock-up of the Apple iPhone. Other exclusivity arrangements can perhaps be done almost invisibly.

*Defect Attack*

The defect alternative is perhaps the most direct attack on a competitor. It entails targeting an existing resource of a competitor and then taking that resource for the attacker's own use. Poaching alliance partners is one such tactic. DISH Network partnered for several years with AT&T, allowing the telephone company to bundle its services to include satellite TV, thereby countervailing cable operators' encroachment onto AT&T's turf. This alliance steered new customers to DISH and boosted its performance. In 2009, AT&T terminated its partnership with DISH and switched to DirecTV. We could find no public evidence that DirecTV solicited this transfer, again illustrating that resource attacks can often be done with plausible deniability by the attacker. Another recent example is top-selling carpet maker Stainmaster's substituting Lowes for Home Depot as its main distributor.

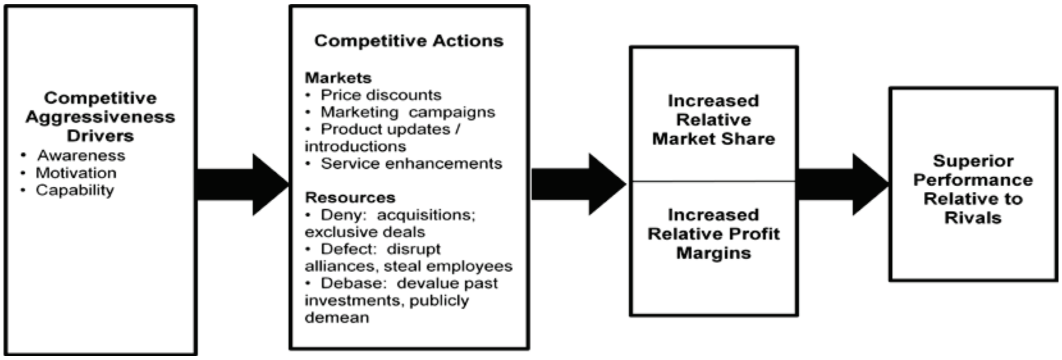
Defect attacks can also entail personnel resources. Human capital is regarded as a major resource in many organizations. This perception has led to increased efforts to steal valuable personnel from other firms. In fact, while the approach of stealing key workers from rivals was relatively rare before 1990, the practice is now common, especially in fluid industries such as software and electronics (Cappelli, 2000; Gardner, 2005). Some are high-profile moves, such as in 2005 when Google hired Microsoft vice president and China expert Kai-Fu Lee to lead Google's China strategy. Significant attacks, however, can also involve much lower-profile individuals. For instance, in 1998 Amazon.com successfully recruited 15 Wal-Mart professionals versed in the intricacies of Wal-Mart's vaunted logistics system (Gardner, 2005).

The defect attack can help a firm grow its market share and improve its relative profit margins. The shift of human capital may enable a firm to ameliorate current products or develop new products and eventually gain market share. It may also raise the costs of a rival through the removal of this key resource. DISH, for example, not only lost market share owing to termination of the AT&T alliance, but it also faced the prospect of increased marketing costs to secure new customers. Sometimes the market share transfer is relatively direct, such as Lowe's move to Stainmaster. At the employee level the transfer of market share can also be quite direct. For instance, bank commercial lending officers often develop close relationships with their clients. When a bank poaches a lending officer from another bank, it expects a large portion of that lending officer's customer base will follow (Hein, Koch, & MacDonald, 2005).

*Debase Attack*

A debase attack can be subtle, and it principally undermines attacked rival's past investment in a resource. After airline deregulation in 1978, the so-called major airlines fortified or established new major hubs (e.g., Delta, Salt Lake City; American, Dallas; Northwest, Detroit) at significant cost in order to expand their route networks (Chen & Miller, 1994). Though economically inefficient for connecting relatively geographically close city-pairs, the hub and spoke networks more reasonably connected distant (e.g., Los Angeles and Louisville) city-pairs and moved traffic to international gateways. Low-cost Southwest Airlines, however, eschewed hubs. It concentrated initially on connecting relatively close city-pairs with direct flights, arguing that its main competitor was the car and not other airlines. As Southwest grew and began to connect distant cities (e.g., Phoenix and Baltimore), the once-valuable hubs of the major airlines suddenly became economic albatrosses: they wedded the majors to a much higher cost structure than that for direct flights. Thus, Southwest devalued what had been important resources for its rivals. Likewise, in 2010 Apple attacked the primary resource of a major rival—Adobe's Flash technology. Apple CEO Steve Jobs publicly said: "Flash looks like a technology that has had its day," and Apple's iPhone and iPad rejected the otherwise ubiquitous Flash technology (McNichol, 2010, p. 28). By devaluing Flash, Apple was aiming to convince software and application developers to abandon Flash as a platform. Doing so would, in turn, cripple Adobe's major revenue stream and devalue its past and ongoing investments in Flash. By debasing the resource base of a rival, the attacker potentially decreases that firm's future profitability, as it must invest to upgrade the resource, pay to shift to a new resource, or continue to operate with the devalued, cost-inefficient resource and perhaps lose market share. Shown in Figure 1 are a summary of the major concepts in this section of the paper and the foundations of competitively aggressive strategies.

**FIGURE 1**
**FOUNDATIONS OF COMPETITIVE AGGRESSIVE STRATEGIES**



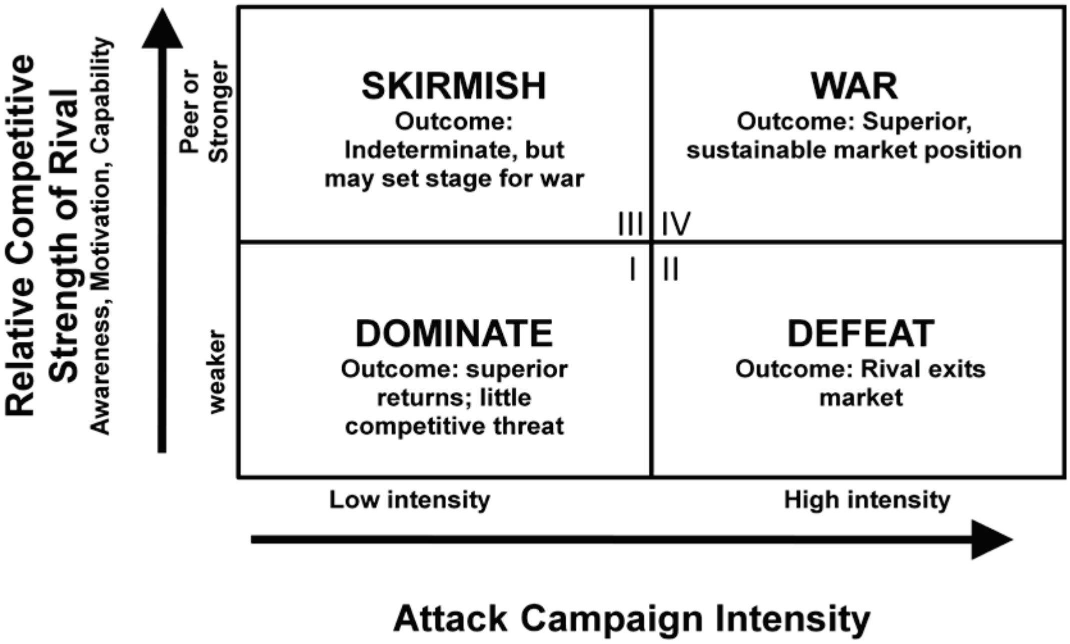

## A TYPOLOGY OF COMPETITIVE AGGRESSIVE STRATEGIES

We argued earlier that a lacuna existed in competitive dynamics research pertaining to a strategic framework for linking competitive actions with possible strategies that achieve set outcomes and the likely impact on firm profitability. To partially address this phenomenon, we propose a two-dimensional typology of competitive aggressiveness strategies.

The first dimension of our typology is the *relative competitive comparative strength* between the attacking firm and its rival. Compatible with recent work (Chen, Su, & Tsai, 2007; Yu & Cannella, 2007), this construct represents the awareness, motivation, and capability between rivals. For example, a firm with the same levels of awareness and motivation but having less capability to take competitive actions than the focal firm is at a comparative disadvantage. Similarly, a company may have an advantage when considering its capability; if it is not motivated to take competitive actions, though, it possesses a comparative weakness. Although a competitive attack may affect more than one firm, consistent with competitive dynamics research and for simplicity, we assume a *dyadic* relationship between an attacking firm and a single rival.

The second dimension of the typology is the *attack campaign intensity*. This construct involves the degree to which a firm takes and sustains competitive actions over time to achieve the desired outcome. Ferrier (2001) found that in terms of improving focal firm performance, the most important factors were the attack volume and duration of the campaign. Using merely the sum of competitive actions, however, fails to consider that competitive actions are not necessarily equally impactful. Therefore, we define attack campaign intensity as “the significance, volume, and duration of a sustained sequence of competitive actions directed toward a rival.” Higher levels of campaign intensity would entail sustaining a greater number of more significant competitive actions for a longer period of time.

**FIGURE 2**
**TYPOLOGY OF COMPETITIVE AGGRESSIVE STRATEGIES**




We recognize that each dimension in our typology is a continuum. Our typology, however, is necessarily a simplification for ease of explication. We offer our typology with four quadrants as a logical starting point for future elaboration.

**Quadrant I: Low Campaign Intensity Against a Weaker Rival**

In Quadrant I, a firm with comparatively greater competitive strengths seeks to *dominate* a rival. Owing to the mismatch of strengths, the attacker requires a less intense campaign to achieve the desired outcome. A dominated rival is one that is allowed to exist but poses relatively little competitive threat to the superior rival. Moreover, its performance is far inferior to its attacker's. The outcome of creating a marginalized competitor should cost relatively little, as the campaign intensity is low and the dominant position secures superior returns. Thus, of the four quadrants, a dominate strategy poses the least threat to short-term profitability and a favorable outlook for longer-term profitability.

An example of a superior/dominated dyad is Southwest and Frontier Airlines. After a 20-year absence, Southwest Airlines resumed service in the Denver market in 2006. Frontier, a young startup airline built in the Southwest model, was much smaller than Southwest and was losing money. Southwest moved slowly into Denver, beginning with only 13 daily flights serving 3 destinations. This effort was miniscule compared with Frontier's 120 Denver-based flights Denver serving 54 destinations. Southwest entered Denver with its standard marketing blitz and brief fare promotions, and the dominance was underway (Yamanouchi, 2005). Southwest has gradually expanded its Denver operations to approximately 125 daily flights, taking market share from Frontier and eventually forcing Frontier to continue operation under Chapter 11 bankruptcy. Southwest briefly entered the 2009 bidding war to buy Frontier out of bankruptcy. Such efforts drove up by almost 50 percent the price regional carrier Republic eventually paid for Frontier, almost virtually assuring that Frontier would continue to be an inconsequential competitor (Estrel & Carey, 2009).

Why would a firm using a dominate strategy (in this case Southwest) not strive to completely *eliminate* the rival. Companies can reap many benefits from allowing dominated rivals to remain. First, it creates an illusion of vigorous competition, which may help mollify consumers and regulators. Second, it more completely fills the market and may keep other, more potentially dangerous competitors from entering that market. Third, perhaps the dominated rival has latent capability that could effectively resist an attempt to outright defeat the rival should its future be too threatened. Finally, eliminating a rival may prove expensive in the short term, and the attacker avoids that cost in the short term. Dominating versus defeating a rival is not without risks, however. In 1997, Microsoft invested in a dominated rival to keep it alive; that dominated rival's name? Apple Computer!

**Quadrant II: High Intensity Aggression Against a Weaker Rival**

Under the *defeat* strategy, the focal firm seeks to force the rival's exit from a market. It may be a complete firm failure or simply the competitor's retreating from a given market. Compared to a dominate strategy, this strategy requires greater investment, in both managerial attention and in tangible firm resources, as an increased number of attacks are taken that are sustained for a longer time period. Bed, Bath, & Beyond, Inc. (BBB) successfully executed a defeat strategy. Having learned that its deeply-in-debt rival, Linens 'N Things, Inc., had staked its future survival on certain select markets, BBB launched repeated waves of discount offers in those markets, gaining some market share at the expense of decreased profits. Linens 'N Things was unable to survive the attack and was liquidated in 2008. With Linens 'N Things defeated, BBB stopped the discounts and grew its sales and profits at a time when industry sales were shrinking owing to the 2009 recession.

Though a defeat strategy is costly in the short term, the intent is that the firm will enjoy superior returns after eliminating the competitor (as in the case of BBB). Of course, the possibility that other firms could enter the market may suppress somewhat the increase in profitability.

**Quadrant III: Low Intensity Aggression Against a Peer or Stronger Rival**

In Quadrant III, a firm attacks a peer or an even stronger rival with relatively low level campaign intensity, in other words, a *skirmish* strategy. The relatively comparably matched competitors engage in what is likely to be a back-and-forth limited exchange, but the relative competitive positions are unlikely to significantly change as a result of the skirmishing. We suggest much competitive action seen in the marketplace falls into the skirmish category because there might not be any attempt to achieve a strategic outcome, and may even involve reflexive actions that do not represent a greater strategy other than to achieve limited market aims or respond to a rival's attack. That said, skirmishing can represent an effective strategy if pursued purposefully.

Skirmishing can be a matter of entrepreneurial discovery: it may reflect the pursuit of opportunities. A firm may wish to overtake a rival but be uncertain as to the best approach. Skirmishing could represent a series of probes, seeking to learn more about the rival and its more vulnerable points of attack. Because these probes are lower in campaign intensity, they are less costly to launch and maintain. These lower costs enable such efforts to be easily launched and abandoned if they do not appear fruitful. In sum, skirmishing may set the conditions for a higher level of campaign intensity. We suggest, however, that the short-term and longer-term impacts of firm profitability are likely to be modest and difficult to predict owing to the back-and-forth nature of such exchanges. An exemplar of a skirmishing strategy entails General Electric (GE) and Pratt & Whitney (P&W), two titans in the jet engine business that compete vigorously in the commercial jetliner and military market. For many years, however, P&W has enjoyed a lucrative, virtual monopoly in the smaller turboprop engine market. GE invaded that market in 2008, though, purchasing a small Czech engine manufacturer for just under $70 million. With this entry GE forced P&W to defend its turf and was "…relishing the prospect of forcing Pratt & Whitney to cut prices on one of its most lucrative products" (Lunsford, 2008, p. B2). The price cuts would mean less profit for P&W and fewer resources for P&W to deploy against GE in markets of greater value to GE. Although skirmishing generally results in modest or even indeterminate shifts, its significance remains seemingly unstinting.

**Quadrant IV: High Campaign Intensity Against a Peer or Stronger Rival**

Quadrant IV represents an escalation from skirmishes to outright *war*. Firms launching a war should have a clear strategic outcome in mind, typically a rearranging of the industry such that the attacker secures a superior, sustainable market position. The rival likely does not die in the war, but it is diminished and remains a potential threat. Dell once executed this action, leading to their becoming the major PC manufacturer, enjoying almost a decade of superior returns and outperforming rivals such as Compaq, Gateway, and IBM.

As the stakes involved are significant, firms launching a war are committed to expending significant resources over an extended period of time. Not long after achieving search dominance, Google set its sights on Microsoft and its software dominance. Google since has launched Google Apps, a web-based productivity program targeted at Microsoft's Office; introduced Chrome, a competitor with Internet Explorer; developed Android for smart phones, displacing Microsoft Mobile; and even proposed an alliance with Yahoo to counter Microsoft's bid to purchase Yahoo. Clearly, Google is seeking to undo Microsoft's dominant position as the leading provider of operating software. Microsoft has responded: seeking to improve its search competitiveness through its alliance with Yahoo; increasing the pace of its updates of key software; and even begun offering a web-based, less expensive version of Office. The eventual outcome of this war is uncertain, and is not likely to be known for some time. What is certain, however, is that the war has been costly to both sides with only the customers sure winners. Such is the nature of Quadrant IV wars—high stakes, significant damage to short- and medium-term profitability, and an uncertain outlook for long-term financial success.

## DISCUSSION

### Summary

A major purpose of this paper was to argue that a firm's competitive actions (tactics) should flow from its strategic orientation. Specifically, we were interested in whether firms had a strategy *before* launching competitive attacks (i.e., did they have a specific end goal in mind that their competitive actions logically could have achieved?) This issue has seemingly been ignored in the competitive dynamics literature. We are especially focused on those strategies that are consistent with high levels of competitive aggressiveness. We promulgate that firms have strategic orientations, and that their competitive action is consistent with that orientation, its strategy, and its specific strategic outcome.

A company's competitive behaviors are a function of its awareness, motivation, and capability to engage rivals. A weakness in any of these elements can lead to a less than optimal competitive action. Clearly, a company can seek to equal or surpass a rival via innovation or launching a new marketing campaign. We suggest, however, that focusing on a rival's resources (broadly defined) may be an even more deliberate attack than launching a new marketing campaign or product, and is a competitive application of RBV. One firm's gain via resource attacks may well be a competitor's loss. Thus, competitively aggressive firms could focus on resource-based competitive moves to improve their market position.

We see the concepts of resource-based competitive attacks as underdeveloped and propose a typology with three attack categories: deny, defect, and debase. Although each approach has its own purpose and likely outcome, all focus on diminishing the competitor in some capacity. Using a two-dimensional grid, we proposed four competitively aggressive strategies that a firm could use to attack its rival's resources. Based on a (1) firm's relative competitive comparative strength (i.e., its awareness of, motivation toward, and capability of executing action against a competitor) and (2) attack campaign intensity, the company can launch one of four competitive strategies against a rival: dominate, defeat, skirmish, and war. Palpably, which of the four alternatives a company selects is a function of its situation and that of its rival's. The most important contribution of our typology is that it affords a firm opportunity to reconnoiter its unique circumstances and opt for the "attack" strategy that is most appropriate for it vis-à-vis its own resources and those of its rival, as well as its own strategic focus.

## Future Research

The ideas proposed in this paper are indeed predicated on some extant competitive dynamics research, but are still in their inchoate stage. Therefore, further work should seek to examine empirically various aspects of them. For instance, we proposed that a firm could attack its rival's resources via a dominate, defeat, skirmish, or war strategy. Future work could examine under what *external* environmental conditions (e.g., intensity of competition, economic conditions, degree of environmental uncertainty) and internal environmental conditions (e.g., size of firm, firm innovativeness, market share, innovator versus leap-frogger) each of these is appropriate. Conceptually, our framework is instructive and pragmatic; whether it holds up under empirical scrutiny is another question. Therefore, subsequent empirical examination could test the validity of our two-dimensional typology. Furthermore, we considered solely relative competitive comparative strength and attack campaign intensity as typology dimensions. Augmenting the number of dimensions may be useful. Research also could include such dimensions as the nature of the competitor (i.e., leader or follower), potential for government interference (a la anti-trust issues), and importance of patents. Finally, researchers might wish to investigate under which kind or strategic orientation (e.g., entrepreneurial) each of the four competitively aggressive strategies is most likely to succeed.

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