

Competitive Advantage

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Competitive advantage is perhaps the most prominent and poorly understood concept in management (Dagnino, Picone, & Ferrigno, 2020). Much HR writing and research strives to demonstrate the achievement or enablers of competitive advantage. Competitive advantage implies a unique advantage relative to competitors that is sustained even despite competitors' constant attempts at replication. The basis on which this advantage can be achieved has been an entry point for discussion of the role and rise of HR as an intangible, difficult to replicate, culturally embedded means to foster value which others will find it hard to identify or replicate. The concept of competitive advantage emerged in the 1980s as a means to better assess the value proposition and sustainability of organisational activities beyond mere financial performance. At this time scale was no longer seen as automatically equating to sustained performance benefits.

The logic of competitive advantage has been useful in a number of respects. First, it has a temporal dimension moving beyond narrow and short-term financial criteria to examine the ability of a firm to achieve differential performance over time. Second, understanding how competitive advantage may be achieved has directed attention inwards towards firm-level activities, thereby emphasizing the value of HRM. The resource based view of the firm provided a theoretical basis to assess the nature of HR resource endowments and value add activities. Third, the desire to achieve competitive advantage has become the ultimate overarching purpose for organisations. It follows that much research over the past three decades has been consumed with demonstrating how HRM can help in building and sustaining competitive advantage.

The popularity of competitive advantage means that it is frequently advanced as an ideology or article of faith without due attention to critical scrutiny. Philosophical critique finds a term founded upon tautological reasoning; competitive advantage serves as both the foundation for, and outcome of, firm success (Powell, 2001). More recent emphasis has questioned the utility of the term, suggesting that it is redundant or even self-defeating as it implies an endpoint that has been achieved as opposed to a process or constant quest. (McGrath, 2013). Instead a language of temporary, momentary or transient advantages is said to better reflect the context of dynamic markets and technological innovation. In recent times the term has been expanded to capture the significance of broader network and eco-system relationships manifest as 'collaborative advantage'. The quest for advantage is inevitably an on-going one subject to constant debate and refreshing, thereby mandating HR to keep up with current thinking and trends in order to enable and retain its own advantage.

See also:

Resource-based view; Strategic human resource management; Strategy.

References and selected further readings

- Cunningham, J. and Harney, B. 2012. *Strategy and Strategists*, Oxford: Oxford University Press.
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- McGrath, R. G. 2013. Transient advantage. *Harvard Business Review*, June 91(6), pp. 62-70.
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