

To win without fighting: an integrative framework

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Abstract

"To win without fighting" is perhaps the supreme ideal in strategic management. This article coalesces extant strategy literature under the overarching theme of "to win without fighting" as a style of strategy. It draws on managerial wisdom gained from the structural approach, the resource-based view of the firm, the Schumpeterian perspective, and the commitment approach to strategy. From, respectively, both the challenger's and the leader's perspectives, it presents the necessary contextual conditions and the actual mechanisms through which "to win without fighting" could be practiced. Potential pitfalls of this style of strategy and its relationship with "to win by fighting" strategy are also addressed so as to put it into the larger perspective of strategic management practice.

The essence of strategy is winning. In the business arena, winning means creating superior customer value and dominating in the global market. To win without fighting is perhaps an ideal situation in business, or for that matter, in any competitive endeavors and activities, whether in war, sports, politics, or business. "To defeat the rivals' forces without engaging in fighting is the supreme among all strategies", observed by Sun Tzu in his masterpiece on strategy *The Art of War*. Such an insightful observation has inspired strategists for centuries and has also had a tremendous impact on contemporary research and practice in the field of strategic management.

Consider the example of Gillette. Gillette's goal is to dominate in every market it competes in and, ideally, garner more than 50 per cent of the market share. Intimidated and frustrated by the seemingly insurmountable dominance of Gillette in the razor market, Schick, one of Gillette's major rivals, once lobbied the US Federal Trade Commission (FTC), on antitrust ground, to pressure Gillette to make available to rivals its technological know-how in manufacturing its most popular line of razor products. FTC pressured Gillette obliged. Schick, however, backed off. The Gillette know-how, even when it was revealed to rivals in the open, was simply too complex and too costly for Schick to copy. Schick has to give up.

Does your firm have such an intimidating dominance, in R&D, manufacturing, marketing and distribution, or market position and reputation, that your rivals would simply give up their desire for aggressive fights and accept your leadership as a fact of life? Could your firm enjoy such a convincing win without resorting to hard-ball tactics and fighting your rivals to the death? What do we actually mean by "to win without fighting" in modern day business

competition? What are the contextual conditions under which "to win without fighting" is possible? What are the actual mechanisms through which "to win without fighting" can be pursued? What are the potential pitfalls of this style of strategy?

Addressing these questions is expected to enhance our knowledge of how firms approach their strategies and win in the global market place. The purpose of this article is to survey the contemporary inventory of strategy research and shed light on "to win without fighting". We hope to develop a systematic and integrative framework that will help strategy practitioners and researchers put into perspective "to win without fighting" as a style of strategy and to better understand its potential application and limitations.

To win without fighting: a practical definition

It is important to clarify that "to win without fighting" is a notion of ideal type. In reality, firms by and large compete against other players in the same business. For instance, Gillette, despite its overwhelming global dominance in the razor market, also, in addition to its own innovation and technological commitment, has to engage in various competitive tactics from time to time so as to sustain its leadership position. For a practical purpose, we define "fighting" based on two basic dimensions: directness of contact and level of strategy, and we define "to win" as achieving persistent superior performance.

First, "fighting" is defined here as direct and face to face rivalry with competitors in an escalating and cut-throat way, using similar or the same competitive weapons and practice as those used by rivals, e.g. price war



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or competitive imitation. Such fight could be regarded as homogeneous competition. To win without fighting therefore refers to the situation where a firm could create better customer value and achieve superior performance by not engaging in direct fight with rivals, current or potential. Obviously, a firm that pursues such a strategy is still subject to competition, a heterogeneous type of competition, with rivals adopting different competitive weapons and practice.

Second, we acknowledge that while "to win without fighting" could be practiced as the guiding principle at the grand level of a firm's strategy, this style of strategy does not necessarily mean to totally exclude occasional fighting – even direct engagement – with rivals on a tactical level in specific competitive maneuvers. That is, in the actual implementation of the strategy, it may not always be possible to avoid fighting with rivals, although the general strategy of "to win without fighting" attempts to eliminate the need for fighting and focuses instead on establishing competitive advantages that will help secure formidable market positions and scare off any potentially direct and aggressive engagement by rivals.

Third, the ultimate concern of firm strategy is the long-term survival and success of the firm. Consequently, a fundamental question in strategy research is why firms differ in performance through time. In the game of business competition, winners enjoy superior performance over rivals. Winning is not a one time thing; it is often a habit.

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Real winners achieve and sustain their superior performance in the long run. As such, "to win" means demonstrating superior performance on a persistent basis. This interpretation of winning conforms to the essence of strategy. Of course, based on the specific time span and context of analysis, "to win" could also be interpreted as securing a particular desired market position, achieving a certain level of profitability at a particular time period, driving certain rivals out of business, or letting no rivals challenge its market leadership. However, since we largely confine our interpretation of "to win without fighting" at the grand level of

strategy, correspondingly, we would stick to "persistent superior performance" as our general, baseline definition of winning.

Wisdom from contemporary strategy research: an integrative framework

Strategy researchers' identification with Sun Tzu's notion of "to win without fighting" is reflected primarily in their obsession with "sustainable competitive advantage", research on which occupies a central position in the strategic management literature. Specifically, at least four major perspectives exist in the field that address the possibility of sustainable competitive advantage: the structural approach based on industrial organization (IO) economics (Porter, 1980, 1985); the resource based view (RBV) of the firm (Barney, 1991, 2001); research on commitment rooted in both traditional IO economics and game theory (Caves, 1984; Ghemawat, 1991), and Schumpeterian economics (Schumpeter, 1934, 1950; Foster and Kaplan, 2001). While the first three perspectives help inform the conditions under which sustainable competitive advantage is possible, the last perspective believes that sustainable competitive advantage is often impossible due to the presence of "creative destruction". Nonetheless, all four perspectives are concerned with the strategy style known as "to win without fighting".

First, the structural approach emphasizes the role of entry and mobility barriers that would shield a firm from competitive threats of incumbent rivals, substitutes, and potential entrants (Porter, 1980; Caves and Ghemawat, 1992). Second, the RBV emphasizes the valuable, rare, non-imitable, and firm specific resources and capabilities as sources of firm economic rent (Barney, 1991). These difficult-to-imitate unique resources would help fend off competitors and spare the focal firm nasty fights with rivals (Rumelt, 1984). Third, the commitment approach treats selective, irreversible resource commitment as the key to a firm's winning (Caves, 1994; Ghemawat, 1991). Selective commitment decisions help a firm avoid premature frontal battle with strong rivals. Irreversible commitment, once made, could turn into entry and mobility barriers that deter later rivals. Finally, with innovation and creative construction as its key constructs (Christensen, 2000; Foster and Kaplan, 2001), the Schumpeterian perspective advocates its teaching as to innovate and create new games instead of fighting an

uphill battle against strong incumbent players who set the current industry standard and the rules of the game.

To win without fighting: a framework

A review of strategy literature suggests two important dimensions based on which extant perspectives could be juxtaposed: the focus of a firm's alignment with its environment (Miles and Snow, 1978) and a firm's status in the industry (Porter, 1985). According to the traditional framework in business policy, strategy is the linkage between a firm and its environment. How it aligns itself with the changing environment reveals the generic profile of a firm's strategy (Miles and Snow, 1978). In dealing with entrepreneurial, administrative, and operational tasks, a firm may choose different foci, either on the external environment or the internal working of the firm. The most important factor in a firm's environment is usually the presence of competitors and their resource strengths and market positions *vis-à-vis* those of the focal firm. Following established convention in the literature, we could observe the status of a firm in an industry as either a challenger or a leader (Porter, 1985; Ferrier *et al.*, 2001). Such a dichotomy also bears practical relevance in actual business competition in that the relative status of a firm has an important impact on how it competes against other firms and wins.

First, we approach "to win without fighting" using the dichotomy of leaders and challengers. Leaders are entrenched incumbent firms that possess strong market power. Challengers are firms aspiring to create their own dominance in their business markets. The incumbent leaders strive to win without fighting by virtue of their endowment or position. The challengers strive to win without fighting by careful plotting or innovating.

Second, we approach "to win without fighting" according to a firm's focus or orientation in its strategy: focus on external environment or focus on the firm itself. A firm could manipulate and shape external forces in its market structure through its strategy and create winning positions (Porter, 1980; Caves and Ghemawat, 1992). It can also exploit and leverage what the firm possesses or is capable of doing in its value creation activities (Barney, 1991). Given the different foci, however, it must be noted that strategy is a practice of matching idiosyncratic firm resources with changing market opportunities (Rumelt, 1984). As such, there is often no clear-cut line regarding whether a particular perspective of strategy is firm focused or environment focused. It is

often the interface or the linkage between the firm and the environment that matters. For illustration purposes, then, we attempt to differentiate the relative foci of different perspectives and examine their respective unique contribution to our understanding of the strategy style of "to win without fighting."

Based on the two major dimensions that characterize a firm's competitive status and strategic focus and orientation, we can develop an integrative framework and coalesce the various extant perspectives in strategy research that inform "to win without fighting" (see Figure 1). The specific perspectives are presented in detail in the next section.

The leaders: positions and endowments

The IO structural approach and the RBV are two dominant perspectives in strategic management which purport to explain sustainable competitive advantage. Although different in their treatment of the sources and characteristics of sustainable competitive advantage, these two perspectives share one common observation: sustainable advantage cannot co-exist with competition, at least homogeneous competition (Peteraf, 1993). Sustainable advantage only exists where competition is suppressed, restricted, deterred, and avoided. If an advantage is gained through competition, then the so-gained "competitive advantage" can only be temporal and cannot persist, for ongoing competition will dissipate it. If an advantage is sustained, then it must not be "competitive".

If a firm has to (always) fight to win, then its competitive advantage is not really commanding. If a firm could enjoy advantage while not enticing competition, then it has indeed an unambiguous advantage. Under such a situation, a firm with the commanding advantage is close to the state of "to win without fighting", because potential rivals are either not capable of fighting or too intimidated to fight due to resource deficiency or positional disadvantages. Such a state is precisely the ideal situation as prescribed by both the IO and the RBV perspectives.

That is, it is possible for market leaders to assume a certain position, be it a strong market position protected by entry barriers or a unique resource position shielded from imitation by isolating mechanisms. Such a position, will, while it lasts, afford the firm the luxury of "to win without fighting". It

provides some cushions for the leaders to take a breath as well as a higher margin for error.

The structural approach

Theoretical background

Rooted in IO economics, this approach posits that strong defensible market position (read power) in an attractive industry renders sustained competitive advantage possible. The analytical approach of this perspective is static equilibrium and largely cross-sectional. Porter (1980) advances the industry analysis framework (five-forces) whose ultimate function is to explain the sustainability of profits against bargaining and against direct and indirect competition. He further argues that, holding industry structure constant, positioning in an industry plays an important role in determining the firm's competitive advantage and profitability. Once positioned in an attractive position, the strategic task of the firm is to erect and manipulate the entry and mobility barriers and fend off incumbent and potential rivals so as to defend the position and sustain its competitive advantage (Porter, 1985).

As such, the focus of the IO structural approach is placed on how incumbent firms could shield themselves from competition and sustain their existing advantage. In this sense, the structural approach is a framework for market leaders. As commented by Rumelt (1984), this is the story of colluding behind a thick wall, a story about

monopoly rents. The moral of the structural approach is that, should an advantage (however achieved) be sustained, there must be *ex post* limitation of competition which hinders the destruction of the advantage (Peteraf, 1993), e.g. the presence of insurmountable entry barriers or mobility barriers within an industry (Caves and Ghemawat, 1992). If the structural approach is a theoretical framework of how to compete for advantage, it is first a framework of how not to compete, i.e. to win, but save the fight.

Practical applications

Based on the above discussion, we can outline, with a focus on external environment, the contextual conditions where "to win without fighting" will more likely be fitting. First, the competitive environment should be relatively stable and the change of the environment slow and predictable. For instance, major oil drilling and refining companies collectively control the global market, leaving little room, if any, for smaller players. Under such an environmental condition, entry and mobility barriers have long-term ramifications. The structural approach here will have the most relevance.

Second, a dominant industry standard has a long-term effect on how firms will act in a particular round of technological trajectory (Hill, 1997), e.g. in winners-take-all industries like the video camera recorder (VCR), compact disc (CD), and personal computer (PC) operating systems markets. Incumbent leaders with such dominance in industry standard could more easily free themselves from direct challenges of smaller players. JVC's VHS format dominated the VCR industry, earning an enviable market position for JVC's corporate parent Matsushita. American firms, pioneers in this industry, never had a chance to come back and challenge JVC's leadership later.

Third, opportunities for product market innovation are limited. In a business where smaller firms do not have much latitude to change the game using substitute products or adopting new ways of manufacturing and marketing, incumbent leaders would win automatically due to their stronger positions. For instance, De Beers had manipulated the supply of the diamond industry for a century or so. There are basically no substitutable products in this business and no major rivals.

Finally, reputation should matter in the leaders' business markets. This ensures that the incumbent leaders win over rivals in customer good will. Consider the luxurious goods dealers like Cartier or Tiffany's. They have consistently and consciously focused on

Figure 1
To win without fighting: a framework

		Focus of Strategy	
		Environment	Firm
Firm Position	Leader	IO Structural Approach Key to Strategy is Industry Positioning	Resource Based View Key to Strategy is Exploiting Unique Resources
	Challenger	Commitment Approach Key to Strategy is Managing Commitment	Schumpeterian Perspective Key to Strategy is Managing Innovation

effectively positioning themselves in the customer's mind as the industry leaders. When consumers think of luxury, they automatically think of these respectable and trusted names; small and unknown firms do not even show up in the map. Similarly, Nike also purposefully creates and polishes a winner's image. When people think of sports gears and sports in general, they are reminded of Nike. Even when its leadership was challenged in the USA in the past decades by Reebok, LA Gear, and Fila, Nike was disciplined enough to not engage in more direct fights with rivals, e.g. price cutting, and sticks to its game plan of maintaining a superior image.

Managerial implications

The IO structural approach views a firm as a collection of product-market activities. Its analytical focus is the external environment. A firm's strategist needs to be concerned with a firm's relative market power in an industry, defined in an extended fashion that includes rivals, buyers, suppliers, substitutes, and potential entrants.

The key to win here is positioning. To position a firm in a defensible position in an attractive industry warrants the later luxury of "to win without fighting".

The winning of the game, from the IO perspective, is reflected in the superior performance afforded by "monopoly rents" stemming from the strong incumbent leaders' market power.

'... The fact that smaller firms do not fight the dominant rival does not always mean that they are intimidated; it could also mean that they are creating new games, based on the guidance to be discussed in the challenger's perspectives, which will reduce the significance of the current game and the dominant players' leadership...'

As discussed above, this perspective is most useful when the pace of change in the environment is relatively slow, entry and mobility barriers have long term effects, opportunities for substitute products and changes of the rules of the game are limited, and industry standard and firm reputation matter.

A potential caveat is that firms adopting this perspective need to be aware of paradigm-shift changes in the environment. The fact that smaller firms do not fight the dominant rival does not always mean that they are intimidated; it could also mean that they are creating new games, based on the guidance to be discussed in the challenger's perspectives, which will reduce the significance of the current game and the dominant players' leadership. For instance,

fearing that new innovative players could do to it what it did to the mainframe computer business and its former partner IBM, Microsoft, although never shy in leveraging its dominance in the PC operating system, also carefully watches out for and responds to new trends in the business, e.g. quickly and totally embracing the Internet.

Resource-based view of the firm

Theoretical background

The RBV provides another perspective on sustainable competitive advantage and has been hailed as a possible paradigm capable of elucidating and integrating research in all areas of strategy (Peteraf, 1993; Barney, 2001). The basic tenet of the RBV is that unique resources are the sources of sustained competitive advantage. To generate such advantage, a resource must be rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm specific (Barney, 1991). Aiming at explaining both the source and sustainability of competitive advantage, the RBV in fact has more strict assumptions than the IO structural approach: that is, for advantage to be present and sustained, there must be both *ex ante* restriction and *ex post* restriction to competition in the resource factor markets (Peteraf, 1993). In this sense, luck, history, and path-dependence play dominant roles (Barney, 1996; Teece *et al.*, 1997; Ma, 2002).

Uncertain imitability, social complexity, and other isolating mechanisms are thought to protect firms with unique resources from *ex post* competitive imitation, hence enabling sustained competitive advantage.

Sustainable competitive advantage in the RBV is defined as an equilibrium term: an advantage is sustainable after all attempts to imitate have failed and ceased. By definition, such sustainable "competitive" advantage is anti-competitive. It can only exist in a world of no competitive imitation (Barney, 1991; Peteraf, 1993).

Although researchers differ on whether managers can systematically analyze the sources of sustained competitive advantages for specific firms, the message of the RBV is unambiguous. The best strategy for a firm must be based on certain unique resources, gained by luck or on certain occasions by managerial vision, which does not entice imitation or is immune from imitation and remains unchallenged. Ironically, under such conditions, there is less need for competitive strategy, if at all. Rumelt (1984, p. 569) insightfully remarked that:

If opportunities for significant shifts in strategic position are infrequent, and if isolating mechanisms create defensible

positions, it follows that many firms can ignore strategy for long periods of time and still appear profitable ... If a strategic position is strong enough, even fools can churn out good results (for a while) (parenthesis original).

As such, the underlying essence of RBV is in a perfect match with the strategy style of "to win without fighting".

Practical applications

The RBV clearly offers, in spirit, the rationale and outlines the characteristics of the contextual situation where a firm, due to its unique resource endowments, could indeed win without the fight. As can be seen from the above discussion, several contextual factors characterize the conditions under which winning without fighting is most likely fitting by exploiting a firm's unique resources and capabilities.

First, path dependence determines that a firm's action, e.g. choice of technology, has a long-term impact on its future competition. For instance, Intel's decisive exit from the crowded memory chips market and entry into the fledgling microprocessors market afforded it the opportunity to travel the entire trajectory of the microprocessor technology. It was able to assemble a unique resource base that none in the industry can rival, which has helped Intel constantly push out new generations of microprocessors (Grove, 1996). Lacking the necessary technical strengths, smaller rivals have to settle for niche markets or build their products around the Intel technology.

Second, luck matters in the process of gaining unique resources. For instance, Coca-Cola's valuable exclusive contract with the US military forces during the Second World War guaranteed Coca-Cola's winning without fighting in that particular segment of the market. Such unique resources in distribution channels and market access helped Coca-Cola further consolidate its competitive advantages. The weak adhesive technology underlying the famous Post-It notes by 3M was discovered in a lucky incident when a 3M researcher was trying to create a highly strong adhesive. This "failure" in experiment serendipitously contributed to 3M's superior technological base. Luck aside, without 3M's corporate culture, which openly encourages and institutionalizes the innovation spirit, this unique technological resource would not likely be conceivable.

Third, the heterogeneity among firms' resource profiles is likely to persist. This ensures the leaders' continuous exploitation of their uniquely valuable resource

endowments. For instance, in the world of opera, several major houses in the world – La Scala, The Met, Vienna Opera, and Covent Garden – dominate the scene and have done so for more than a century. This is largely due to their unique images and their capabilities in attracting major stars on a global basis.

Fourth, maintaining a technological edge over rivals stands squarely at the core of "to win without fighting" for industry leaders from the RBV. Take again the Gillette example discussed earlier. The huge and seemingly insurmountable differential in resource profiles between market leaders and challengers reinforces the leaders' dominant market positions.

Finally, market shifts, disruptions of the Schumpeterian kind, should occur rather infrequently. Schumpeterian shock often redefines the relevance of a firm's resources and capabilities in the new round of competition. Without such shock, a firm's unique resources could better sustain its value and relevance. Under such shock, a unique resource could prove useless. Core competence could turn into core rigidity. While the Internet and the digital technology made online and CD-ROM based reference materials readily available at a lower cost, Encyclopedia Britannica found its unique resources, the previously all powerful direct sales force, lose its glory as its sales in hard copies plummeted.

Managerial implications

The RBV views the firm as a bundle of idiosyncratic resources – and a host of capabilities as according to the dynamic capability approach within the RBV. Contrary to the IO structural perspective which focuses on product-market imperfections, the RBV emphasizes the heterogeneity in firms' resource profiles. This requires that strategists take an inside-out perspective and pay careful attention to its resource base.

Exploiting the endowment of unique resources is the key for sustainable advantages, which afford the firm with such possibility as "to win without fighting". What valuable resources do we have that are rare and difficult to imitate? This is the fundamental question that a firm's strategists have to address.

A firm's success and winning from the RBV perspective is reflected in its superior performance due to its Ricardian or quasi rents. The moral of the RBV is to make a firm's game exclusive so that few or no rivals could play the same game. To win without the fight here is indeed to win by being

unique so no others could easily imitate, hence offering no chance of fighting.

Unique resources are often socially complex and causally ambiguous. Sometimes even firms possessing such resources may not be aware of their existence or potential usefulness. Nonetheless, it is extremely important that a firm's strategists systematically analyze its resources and competencies and consciously exploit them to the firm's advantage. Xerox's Palo Alto Research Center (PARC) pioneered the graphic user interface (GUI) technology in the 1970s. But due to the negligence of the top management, this technology was not appropriately applied to its PC business. Consequently, Xerox was not to be a contender in the PC business.

Similar to the case of the structural approach, firms adopting the RBV should also be on the alert for a Schumpeterian kind of creative destruction which redefines the relevance of resources. The earlier example on Encyclopedia Britannica fittingly illustrates this lesson.

In summary, as rightfully argued by both the IO and the RBV, sustaining advantage is the key of strategy. But you have to have something to sustain in the first place. To win without fighting is largely to win by being or possessing certain status or position, market or resource wise. To be fair to the strategists in firms with such endowments or positions, if monopoly rents, Ricardian rents, or quasi-rents shower the general managers with glory of success, then the absence of supranormal profits in these firms should be a crime, given the firm's rent-generating potential. The challenge to strategists in the incumbent leaders is therefore to exploit and enhance their bases of winning, both internally within the firm and externally in the environment.

The challengers: commitment and innovation

Just as incumbent leaders could win without fighting by exploiting their resources and market positions, challengers could also win without fighting, but through careful choice of commitment as well as innovation. The commitment approach focuses on a firm's future position in its industry or market. Although it addresses the firm's decision making in resource commitment, its major theoretical concern is how the firm's future market position, an external environmental variable, can help sustain the firm's competitive advantage without enticing competitive imitation.

On the other hand, the Schumpeterian perspective focuses on a firm's innovation in its rent seeking process. It emphasizes the firm's internal capability in creating new technology, new products, or new ways of organization. The moral of both perspectives, however, is very similar in that firms should not compete when they do not have competitive advantage, at least they should not compete with strong incumbent leaders directly. Playing industry leaders' games is often competitive suicide. And creating new games through innovation or selective commitment should help challenger firms win without fighting.

The commitment approach

Theoretical background

The research stream in IO centering on the notion of "commitment" provides another attempt to explain both the creating and sustaining of competitive advantage. As commented by Caves (1984), many competitive moves are strategic in the sense of involving substantial precommitments of resources that are irreversible. Defining commitment as the tendency towards the persistence of a firm's strategy, Ghemawat (1991) regards commitment as both sufficient and necessary to explain sustainable competitive advantage. The major argument is that strategy is manifested in a few investment decisions that are irreversible. Careful choice of sequential decisions on commitment under uncertainty is the key determinant of creating and sustaining firm advantage.

Research on commitment, in the IO structural tradition, focuses on entry and mobility barriers that deter incumbent and future rivals. Like game theoretic models, here the environment is assumed to be relatively stable, albeit uncertain, so that commitments have long-lived consequences in sustaining a competitive advantage. Complementary to IO structural approach, commitment is essentially a story of playing and sustaining a game where an entrenched incumbent has an advantage over rivals who struggle to compete according to the powerful incumbent's rules. The difference between the two approaches is that, instead of sustaining them, here a firm has to actually create resource and market positions through sequential decisions. The commitment approach assumes, at least implicitly, a grand entrepreneurial vision for the long term and sound managerial judgment under uncertainty. As such, it helps inform the challenger firms.

The fundamental idea of this type of strategy is to avoid fights with strong

incumbents and accumulate strengths and gain positions in a steady fashion that could eventually lead a firm to dominance in the Porterian world. This is especially true for the aspiring challengers who start as small players in the peripheral areas of an industry and choose to commit their resources in ways different from industry leaders and maintain consistency in their strategic posture through sequential decisions.

Practical applications

Several factors affect the successful implementation of strategy from the commitment approach. First, a firm should have a general sense of direction when making its commitment so as to avoid the typical pitfall of escalation of commitment to a failing course of action in decision making. Second, in managing commitment, a firm should try to focus on decisions that will have long lasting impact in future competition. Third, a challenging firm should attempt to keep a low profile, avoid attention from major incumbents, and play on their arrogance and negligence.

For instance, Bill Gates, at the inception of Microsoft, envisioned the future of computing as a PC on every desk in every home and office. That grand vision of the future had consistently guided his strategy at Microsoft. It is no lucky accident that he insisted on the clause of IBM clones when Microsoft signed the contract with IBM to provide operating systems to the IBM PC. Such a clause helped make the IBM PC an open system and the clones by Compaq and other computer makers trying to capitalize on the open system helped make MS-DOS, and later Windows, the industry standard for PCs worldwide. That particular commitment, a crucial decision regarding Microsoft's future position in the PC industry and in the overall high tech arena, proved to be an important milestone of the Microsoft success story.

Ghemawat's (1991) treatment of the Wal-Mart success story documents another example of commitment in action, where Wal-Mart's commitment did not attract much of rivals' attention, at least at the early stage of its growth when it nurtured its strengths for future dominance. Wal-Mart's choice of rural locations reflected its commitments to the market unserved or under-served by industry leaders, e.g. K-mart, which focused primarily on the urban areas. Wal-Mart's consequent commitments in better serving these locations, e.g. building an efficient logistics system and adopting advanced information systems, helped strengthen its initial advantage. Once the commitment patterns have been successfully laid out, they

deter entry, confer market power, and enhance efficiency.

Obviously, a major characteristic of the contextual condition where commitment could result in winning without fighting is that the industry's pace of change, despite the uncertainty and complexity of the industry, allows for a long-term impact of a firm's commitment. Ghemawat's (1991) treatment, however, also spells the need for entrepreneurial insight in the sequential decision making which results in a certain pattern of resource commitment. After all, strategy is about making tough decisions and choices, and the quality of the entrepreneurial judgment and managerial decisions matter.

Managerial implications

The commitment approach views the firm as an ongoing process of deciding among options of investment decisions. In this perspective, the strategist is more than ever a decision maker choosing between competing agendas and different visions of the future.

The key for winning here is careful selection of commitments of resources, binding moves that are irreversible, which requires grand vision and purposeful plot. It aims at building advantage for the future while avoiding immediate fight with the entrenched incumbents. The series of commitments will lead to a defensible position in the Porterian world described in the IO structural approach.

The moral of this approach is, if you don't have competitive advantage, don't fight; once you do have competitive advantage, you don't have to fight. Try to escape from the radar of dominant incumbents; submerge in resource accumulation and expertise building; and make consistent strategic investments that will deter rivals in the future.

A central challenge in the commitment approach is the balance between commitment and flexibility, current competitiveness and future viability. It is a paradox in that sustainable competitive advantage would not be possible without irreversible commitment, while escalating commitment to a failing course of action could rock the firm with huge sunk costs. This further emphasizes the importance of strategic choice in managing commitment as the key to winning.

Schumpeterian perspective

Theoretical background

Schumpeterian competition, due to the creative destruction nature, is by definition not stable and certainly less predictable.

Schumpeter (1950, pp. 82-3) argued:

Capitalism, then, is by nature a form of method of economic change and not only never is but never can be stationary. The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers' goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates. This process of creative destruction is the essential fact about capitalism.

Yet it is exactly the characteristics of uncertainty that invite strategy. If Schumpeterian competition can be readily anticipated, then what is left is only tactical calculating and competitive conjecturing. Then game theory would be much more useful for strategy than it currently is. In the uncertain, revolutionary, and rapidly changing world of Schumpeterian competition, it is the entrepreneurs' vision, judgment, and risk-taking in their strategy making facing uncertainty that drive creative destruction and innovation (Foster and Kaplan, 2001). Competitive advantage gained by innovating firms in Schumpeterian competition therefore confers entrepreneurial rents to the innovators.

'... the Schumpeterian view's innovation and creation perhaps stand to be the closest to the strategy issues facing most general managers, especially those in small, aspiring, and challenger firms...'

Several research streams subsequently build on the Schumpeterian view and also inform strategy. Nelson and Winter (1982) introduced the concept of tacit knowledge and routine to the dynamics of Schumpeterian competition. Relatedly, recent research on knowledge creation and management (Nonaka, 1991) also shares the spirit of the Schumpeterian concept of innovation. Regarding entrepreneurial vision and spirit, Hamel and Prahalad (1989) coined the term strategic intent to describe entrepreneurs' ambition to conquer the market. The recent work by Christensen (2000) on the impact of disruptive changes caused by pioneering firms' innovation also attests to the power of the Schumpeterian perspective.

To be sure, not burdened by the search for sustainable competitive advantage, the Schumpeterian perspective is about actually creating competitive advantage from a firm's action. Thus, compared to IO structural approach's entry and mobility barriers, RBV's idiosyncratic endowments, the

Schumpeterian view's innovation and creation perhaps stand to be the closest to the strategy issues facing most general managers, especially those in small, aspiring, and challenger firms (Rumelt, 1984).

Practical applications

Creating something totally new and doing things in drastically different ways lie at the very heart of strategy. The Schumpeterian perspective, by emphasizing the value of innovation, shifts attention away from fighting the incumbents and advocates winning by creating new games or setting new rules of the game. In general, innovation could help a firm bypass entry barriers in the Porterian world; it could derail the course of rivals' commitment to a preset course of action; or it could trivialize the importance of unique resources touted by the RBV. Examples of this style of strategy abound in contemporary business reality.

Consider the following cases. First, Canon used its invention of new process image duplication technology to bypass the entry barriers of Xerox in the copier industry and became a well respected player which dominated the small to mid-sized copier segment. Second, while some Japanese firms were committed to perfecting the piano making technology and pulling stunts over Western rivals, they found that the worldwide sales of traditional pianos had been consistently declining. Then the innovation of Yamaha in digital piano technology largely changed the direction of these piano makers and forced them to redirect their commitment to the more promising digital piano market. Third, Nucor, using its innovative thin-slab technology, successfully competed in the steel industry, where the fully integrated steel making process had been the industry standard. Nucor's technology not only enabled it to bypass the conventional entry barriers in the steel making industry, but also reduced the importance of the technological competence of dominant firms.

To change the rules of the game, a firm could engage in various ways of innovation, e.g. change the process of product manufacturing and service delivering; choice of distribution channels; the speed of product introduction; or the options for customer choice.

CNN positioned itself as the premium provider of news around the globe around the clock. Such innovative practice of exclusive focus on news reporting is exactly the very example of creative destruction that redefines industry landscape and convention. Redefining the rule of news reporting, CNN does not, in a narrow sense, compete against

other news media, it competes against itself. And its first mover reputation and customer trust serve as its core assets. So long as it can excel in what it does, it is essentially winning without fighting.

Similarly, Home Depot in do-it-yourself home improvement, Toys R Us in toys, Best Buy in home electronics, and other so-called category killers in the USA, have in the last couple of decades changed the way their respective games were played: from intense personal dealing, local and regional type of business to super-sized stores that boast unprecedented variety of products and scale economy. Moreover, new era giants like Amazon.com are chartering territories in the e-commerce arena and, for that matter, transforming the entire landscape of merchandising.

Moreover, Schumpeterian competition could happen in both a rapidly changing environment and slow-paced context. The Home Depot example demonstrates that in relatively stable or even mature industries a Schumpeterian type of innovation could redefine how the game is played. On the other hand, Intel's constant innovation in the PC microprocessor business helps Intel enhance its winning position and forces rival players to always play the catch-up game. In the hypercompetitive environment of Intel's, creative destruction is perhaps the only way to win.

Managerial implications

The Schumpeterian perspective views the firm as a vehicle for winning, as a mechanism for carrying out innovations, and as the embodiment of entrepreneurial dreams. In this perspective, the strategists should have intrinsic entrepreneur spirit and the ambition to be the best. Entrepreneurs' vision, judgment under uncertainty, and risk-taking play major roles in this type of strategy.

The heart and soul of this perspective is creativity, imagination, and vision. The key for winning here is innovating. Refusing to fight rivals on conventional dimensions, a firm should focus on how to create better customer value. For instance, most coffee makers compete on the fanciness of technical gadgets and not exactly on what matters the most to the coffee drinking experience, taste. If firm A's coffee maker can brew a cup of coffee in certain time, firm B would try to outdo it by shortening the time it takes. Innovative firms would focus on how to brew a better tasting cup of coffee, e.g. by building a better water filter and processor, since the quality and processing of water largely affects the taste of coffee.

The success of innovation and winning in the business are reflected in the superior performance of the innovating firm afforded by the entrepreneurial rents, e.g. the premium the innovating firm could charge for its state-of-the-art technology and products.

The Schumpeterian perspective is the challenger's perspective because it centers on creating advantages anew and destroying the old equilibrium, instead of sustaining an existing order. It is a strategy of "to win without fighting" precisely because the innovating firms refuse to play the existing game. Instead of fighting with the entrenched incumbents, they dislocate them, making their games obsolete, irrelevant, or insignificant.

To win without fighting: putting it into perspective

To win without fighting: potential pitfalls

To win without fighting, supreme as it is as a style of strategy, also has potential pitfalls that may derail a firm's striving for persistent superior performance. The most obvious and fundamental of the potential perils of this style of strategy is its impact on the firm's ability, or inability to be more specific, to fight. To win without fighting by definition avoids competition. In the long run, however, competitive advantage erodes and confrontation strategy may be inevitable even for firms with the most sustainable advantages. Such a pitfall is especially harmful for incumbent leaders who attempt to sustain their advantages instead of creating new ones.

As reflected in the IO and the RBV perspectives, obsession with sustainable competitive advantage dominates our field. Yet such obsession may dilute a firm's attention to changing trends in the competitive environments. For example, Ford with Model T sustained its advantage in efficiency while no other firm could win in that particular game. However, it eventually lost the top position in the US auto industry because of its lack of attention to customers' desire for variety and was never to catch up through a whole century. Similarly, IBM's superior position in mainframe computer and Xerox's dominance in the high-volume copier business both afforded the firms with the luxury of winning without fighting in their core businesses. Yet in both cases, the leading firms were unable to respond and compete effectively against challenger firms that initiated new games and changed the industries' conventions and standards.

As such, firms with superior resource endowments or market positions, with the once and for all mentality, are not expected to be sharp at competitive rivalry. They run the danger of competitive elimination in the long run, for every firm in the capitalist economy is eventually subject to the Schumpeterian shock. The danger and the side effect of the "to win without fighting" mentality are at least three-fold. First, shielded from competitive rivalry, a firm is likely to be plagued by complacency and arrogance, e.g. the Icarus paradox (Miller, 1994). Second, it is possible that a winning firm ignores the advent of new rounds of Schumpeterian competition and suffers from a blind spot in its competitor analysis. Third, winning without fighting is likely to brew inflexibility or rigidity – structure-wise or culture-wise inertia – that hinders a firm's ability to respond to environmental changes, even when it does notice the need to change.

Dominant firms' tendency to turn complacent and rigid has been well documented (Miller, 1994). For instance, the Honda entry into the US motorcycle industry (Ghemawat, 1991) was largely ignored by the major incumbents initially, who would experience much difficulty later in putting their acts together when facing the then much more formidable Honda. Similarly, K-Mart was complacent about its dominance in the urban areas in the 1970s and did not treat the Wal-Mart aggression seriously. When K-Mart had to fight a much stronger and more efficient Wal-Mart in the 1980s and 1990s, it simply lacked what it takes to succeed in head-to-head rivalry.

On the other hand, some more vigilant and savvy firms are able to enjoy the benefits of their dominant positions yet at the same time pick important fights or maneuvers with rivals so as to keep fit or stay in the game. De Beers is always on the alert and aggressively co-opts to its favor owners of newly discovered diamond mines as well as the government in concerned countries and regions. Smaller players don't stand a chance to challenge its monopoly position. The lesson here is that in such businesses where competitive advantage is more readily sustainable, leading firms still need to constantly manipulate the industry's norm and set the rules of conduct. This helps shut out new entrants and potential challengers. The same can be said about Microsoft's quick and decisive embrace of the Internet in the mid 1990s. Just imagine, if Microsoft rested on its laurels and felt pretty good about its total dominance in the PC market and ignored the uprising of Netscape, what would have happened to the computing world?

In summary then, banking on sustainable advantages, while they last, might give a firm good performance and a sense of winning. In the long run, shielded from the pressure of intense competition, a winning firm may turn out to be lazy, rigid, and sluggish when the time comes that they do have to face new competition.

To win without fighting and to win by fighting

The above discussion naturally leads to the following question: which is more superior, to win by fighting or to win without fighting? As strategy is the art of matching firm competence with changing opportunities, the appropriate choice of strategy style depends on the competitive context, the stage of competition, and the speed of change in the environment. In hypercompetitive environments with nowhere to run and nowhere to hide, a firm has to re-create competitive advantage on a daily basis, then fighting, the willingness to fight, and the skills and tactics in fighting become critical. In situations where sustainable advantage is possible, to win without fighting could be a desirable strategy. "To win without fighting" may brew complacency due to lack of rivalry; "to win by fighting" could disintegrate a firm due to lack of cushion to accommodate competitive blunders.

As such, it is perhaps not very meaningful to argue about the intrinsic value of either style of strategy. But one thing is clear. Strategists need to be aware of the merits and drawbacks of different strategy style and the specific types of strategy within each style so as to be better informed of their strategic options. Corresponding to D'Aveni's (1994) synthesis of fighting strategies and call to arms, it is the mission of this paper to attempt a systematic integration of the different streams of strategy research that inform the "to win without fighting" strategy style, adding an important piece to the overall strategy puzzle.

We could also help put both styles of strategy into perspective by resorting to our definition of "to win without fighting" presented earlier in this article. Firms by and large compete against other players in the same business. Except for the extreme and perfect case of monopoly, every firm is under competitive pressure and is in a kind of "fighting" for consumers against rivals. This can happen in both the heterogeneous sense, e.g. competing on different resources, and the homogeneous sense, e.g. pure price competition without product or resource differentiation. A grand strategy of "to win without fighting" does not necessarily

preclude competitive maneuvers at the tactical level. The very luxury of the “to win without fighting” grand strategy has to be defended through fights and competitive ploys from time to time.

When you have to fight, you should fight well. This said, “to win without fighting”, however, as a first order strategy and a guiding principle, has its merit in its close affinity with the origin of strategy, a firm’s uniqueness, be it a distinctive market position, idiosyncratic resource endowment, inimitable commitment, or a new way of value creation. Strategies capitalizing on the firm’s uniqueness are more likely to be sustainable. Sustainable competitive advantages are of paramount importance to the ultimate concern of firm strategy – achieving persistent superior performance.

Concluding remarks

This article has juxtaposed four streams of strategy research, namely the IO structural approach, the resource based view, the commitment approach, and the Schumpeterian perspective, using the overarching theme of “to win without fighting”. Based on their respective foci on either the firm or the environment, as well as their theoretical concern over creating or sustaining firm advantage, the four perspectives are discussed in reference to how they inform the strategy of incumbent leaders or aspiring challengers in a business. Specifically, the contextual condition where “to win without fighting” is possible and the mechanisms through which “to win without fighting” can be practiced are presented respectively within the above four perspectives.

To summarize, incumbents and challengers are two sides of the same coin. The former try to sustain their winning by banking on superior market positions or resource endowments, while the latter try to achieve their winning through innovation as well as plotting in sequential investment decisions. For the former, to win without the fight means to deter competitive threat and discourage rivals’ and potential rivals’ intention to fight. For the latter, to win without the fight means to avoid direct fighting against the powerful incumbents while the firm accumulates its strengths for future dominance. As such, obviously, much of the precautions against “to win without fighting” are directed against the industry leaders who might turn complacent and rigid.

A firm in an ongoing competition needs both sustainable advantage and temporal advantage. It needs the luxury of “to win without fighting” to secure the strengths and stability of its leadership position. It also needs to engage in, at least occasionally, selective fights using a confrontational strategy, so as to keep it sharp and be ready for major fights when necessary. Caveats on the potential pitfalls notwithstanding, to win without fighting could indeed be a supreme strategy.

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Further reading

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Application questions

- 1 What does it mean by "to win without fighting" in different industries and contexts?
- 2 What are the underlying rationales and specific mechanisms for "not fighting"?
- 3 How can a firm exploit the potential benefits of "to win without fighting" while avoiding its potential pitfalls?