Competitive Dynamics in the Global Insurance Industry

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Competitive Dynamics in the Global Insurance Industry

Strategic Groups, Competitive Moves, and Firm Performance

Foreword by Prof. Ming-Jer Chen, Ph.D.

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Foreword

The term “competitive dynamics” may be used to describe rivalrous behavior in any number of contexts. In business and economics, it stands for the ongoing struggle between firms for competitive advantage – a process central to the economic development not only of firms, but of entire economies.

For many years, however, scholarly research fell short of its potential to cater to managers’ interest in means and patterns of competition, favoring more static industry-structure analyses. Aware of this shortcoming, several scholars set out about two decades ago to pursue the sort of competition research that would be more relevant to strategists. They forayed into the study of competitive actions as vehicles for rivalry, and thus into empirical data that directly relates to managers’ competitive decision-making processes.

As one of these pioneers, I have worked to advance the field of competitive dynamics along four cohesive thematic lines: (1) the action/response dyad, (2) firm- (business-) level competition, (3) theoretical and methodological concerns, and (4) corporate-level competition. Across these themes, several findings stand out. In contrast to the structural school of thought, competition is not a symmetric market characteristic uniformly spread throughout the market, but a relational phenomenon that exists between rivals. Further, competitive behavior follows patterns that can be elicited from the stream of firms’ competitive actions. Within these sequences, actions tend to be direct responses to prior rival actions and can, given knowledge of these rivalrous actions, often be anticipated by a firm.

The action-oriented approach to the study of competitive dynamics has mitigated the static legacy of structural industry-level research. Its micro-view turned interfirm rivalry dynamics on its head and reconciled it with the central propositions of Austrian and Schumpeterian economics. Despite these important contributions, however, competitive dynamics research remains underdeveloped in several important ways. It lacks an integrative framework that can organize the field’s many facets; its potential to bridge the micro and macro perspectives has not been fully realized; it has yet to establish important links with other disciplines in the management field; and it suffers from lack of “contextualization”.

Markus's dissertation takes several steps toward addressing some of these issues. In its first study, the dissertation shows how human agency links the direction of a firm's strategic change with the firm's broader industrial environment. The study provides not only an innovative and far more comprehensive perspective on strategic group dynamics, but also one that remains anchored in behavioral thinking.

The dissertation's second study contextualizes the competitive-behavioral patterns of firms by explicating the impact of environmental shocks on the firms' competitive choices. Its analyses initially discuss the impacts market shocks have on how managers determine competitive actions. The study also pioneers a very useful empirical approach by tapping the online press release archives of firms in a scalable and replicable manner.

The third study, focusing on interrelationships in action sequences, provides a more granular level of investigation, scrutinizing the performance implications of strategic interrelationships among individual competitive actions.

This body of work represents a comprehensive effort to close significant research gaps pertaining to competition and competitive dynamics. Not only does Markus's dissertation address a thematically wide range of research, it is highly entrepreneurial in its empirical approach, utilizes a varied set of methods, and is truly collaborative in character. I offer Markus my most sincere congratulations on his work, and send my best wishes for the future from the Darden School of Business.

Charlottesville, January 2012 Prof. Ming-Jer Chen

Fellow and President of the Academy of Management (2012-13)

Leslie E. Grayson Professor of Business Administration
The Darden School of Business, University of Virginia

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