

# Chapter 1

## From Competitive Agility to Competitive Leapfrogging: Responding to the Fast Pace of Change

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### ABSTRACT

*While there is consensus that sustainable competitive advantage is key for organisational survival, the source of such advantage has been attributed to a number of disparate areas. Some scholars have suggested that human and financial resources as well as Research and Development (R&D) activities improve organisations' competitiveness. Others have argued that firms need to focus on competitive agility and the speed with which they respond to their marketing environments. This chapter makes two controversial propositions. First, it postulates that much of what used to be sources of competitive advantage (e.g., stable employment environments, low turnover) can now in fact be what makes organisations stale and uncompetitive. Second, it puts forth a notion of competitive leapfrogging and argues that an important source of competitive advantage is the ability to bypass competition either by skipping the stages in the development paths of the forerunners or by taking significant leaps forward and embracing futuristic concepts.*

### INTRODUCTION

While many scholars have emphasised the importance of sustainable competitive advantage as an impetus for survival in today's competitive environment (Hall, 1993; Oliver, 1997; Lubit, 2001), the dynamic changes in customer needs and preferences, the fast changing external envi-

ronmental factors as well as the highly fluid and fiercely-competitive rivalry mean that a firm's sources of competitive advantage are soon eroded and outpaced unless these are proprietary (Friedman, 2005, 2011). Various scholars proposed the concept of *competitive agility* as a response to mitigating the effects of the fast pace of change (Flidher & Vokurka, 1997; Harrison, 1997; Ka-

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tayama & Bennett, 1999; Nayyar & Bantel, 1994; Roth, 1996; Vokurka & Fliedner, 1998). Agility in this sense refers to organisational responsiveness to changing market conditions. Agile organisations quickly adapt to changing market needs, developing new products and services ahead of competitors. The key source of competitive advantage in this case is speed (Mircea, Ghilic-Micu, & Stoica, 2011; Roberts & Grover, 2012). In an environment where technological platforms seemingly create a paradigm shift, dictating the basis of competitive dynamism, the concept of agility is soon undermined as most firms ostensibly facing similar agility needs quickly catch up (Lim, Stratopoulos, & Wirjanto, 2012). Information in this digital age is easily accessible and competitive strategies are quickly copied and countered (D'Aveni, 2010).

This chapter posits that the unprecedented nature of the modern day digital business landscape calls for a radically different approach hereinafter referred to as *competitive leapfrogging*. The concept requires firms to continually make quantum leaps in assimilating their understanding of both internal and external environments, quickly bringing to market cutting edge products and services that are unparalleled (Valdani & Arbore, 2013). They have to do so at a pace that is significantly quicker than that of their competitors (Piezunka, 2011). Over and above merely assimilating to and responding to market environmental changes, this chapter argues that firms have to be adept at understanding trends and using such market patterns to project into the future and anticipate future market changes even before they occur. Technological platforms play a crucial role in enabling response to market needs, allowing for firms to quickly build highly mobile strategic competences that are difficult to imitate because of their fluid nature. Having established such competitive prowess, successful firms should not bask in their glories for too long but rather should move on to further entrench their lead by figuring the next market changes and in turn,

respond to these. This suggests that the concept of sustainable competitive advantage is in fact no longer sustainable due to the need to quickly and frequently adapt to changing market conditions. What should be sustainable is the pace of adapting to change and the organisation's responsiveness to its environments. Further, mere agility is no longer enough (Vokurka & Fliedner, 1998) as this is not exclusive to any one firm and at present applies to whole industries positioned for speedy reactions to market changes. Instead, competitive leapfrogging should be the new thrust, requiring firms to think on their feet and quickly internalise their understanding of contemporary factors shaping their environments to pre-emptively strike their competitors (Valdani & Arbore, 2013).

This chapter explores the concept of competitive leapfrogging, arguing that in today's fast-paced technologically-driven world, firms need to be more innovative as well as agile compared to their peers, allowing them to maintain a lead on competitive activities. To help set the context, the next section briefly defines the concept of competitive advantage and traces its different sources commonly cited in literature, including competitive agility. Thereafter, the chapter proposes leapfrogging as a way of sustaining competitive advantage and outlines the changes that the implementation of leapfrogging might require.

## **SOURCES OF COMPETITIVE ADVANTAGE**

According to Ehmke (2011, p. 1) *competitive advantage* refers to "an advantage gained over competitors by offering customers greater value, either through lower prices or by providing additional benefits and services that justify similar, or possibly higher, prices." The underlying rationale for competitive advantage is to gain customer loyalty, which in turn should increase demand inelasticity and contribute to profitability. Competitive advantage places the firm ahead of its peers and

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