

Accumulating Competitive Advantage and Strategic Investment

Jianan ZHANG*

Kobe University Graduate School of Business Administration, Japan

***Corresponding author:** Jianan ZHANG, Kobe University Graduate School of Business Administration, Japan

ARTICLE INFO

Received: 📅 December 02, 2024

Published: 📅 December 11, 2024

Citation: Jianan ZHANG. Accumulating Competitive Advantage and Strategic Investment. Biomed J Sci & Tech Res 59(5)-2024. BJSTR. MS.ID.009361.

Mini Review

Competitive advantage discussed upon the theoretical background of business strategy is divided into practice-oriented approach (Porter [1]) and resource based view (Teece, et al. [2]). Practice-oriented competitive advantage is mainly supported by tangible assets, while resource-based competitive advantage is mainly supported by intangible assets. Among the orthodox theoretical system of competitive advantage, tangible assets can be exchanged by currency, while intangible assets cannot be exchanged through intermediate markets. At the same time, tangible assets has indispensability which means they are necessary to almost all business activities. From that point of view, accumulation of intangible assets needs tangible assets. Consequently, while elucidating and analyzing how competitive advantage is accumulated, the relevance and border between tangible and intangible assets is the key point. The fundamental difference between practice-oriented and resource-based competitive advantage is the way they are accumulated. Practice-oriented competitive advantage is theoretically supported by tangible assets which are able to be exchanged by currency. Resource-based competitive advantage is theoretically supported by intangible assets which are not able to be exchanged through intermediate markets. In order to accumulate intangible assets, companies need to organize and reorganize organizational intentions for a long time period (Teece, et al. [3-6]).

Consequently, the fundamental difference between practice-oriented and resource-based competitive advantage is whether they can be accumulated through strategic investment (Henderson, et al.

[7,8]). Strategic investment is about the decisions of where to invest and how much to invest. The most important purpose of strategic investment is building profit centers. Capacity and capability exists upon the profit center portfolios of companies. The total deterrence (Porter [1]) of capability and capacity supports competitive advantage. In other words, deterrence makes competitive advantage works. Profit center portfolio is based upon intentions of strategic investment. Profit center is the consequence of strategic investment. Decisions about strategic investment is almost equivalent to the strategic directionality of a company. Which means the rationality of profit center portfolio decides if a company is able to maintain sustainable competitive advantage. Sustainable competitive advantage needs sustainable strategic investment. For that purpose, companies have to get finance from different routes. The interaction between different institutions and synergy of funding resources are important from that point of view.

References

1. Porter M E (1980) Competitive strategy: Techniques for analyzing industries and competitors. New York Free Press.
2. Teece D J, G Pisano, A Shuen (1997) Dynamic capabilities and strategic management. Strategic Management Journal 18(7): 509-533.
3. Teece D J (2007) Explicating Dynamic Capabilities: The Nature and Micro-foundations of (sus- tainable) Enterprise Performance. Strategic Management Journal 28(13): 1319-1350.
4. Teece D J (2018) Dynamic Capabilities as (workable) Management Systems Theory. Journal of Management & Organization 24(3): 359-368.

5. Teece D J (2023) The Evolution of the Dynamic Capabilities Framework. In: Richard Adams, Dietmar Grichnik, Asta Pundziene, Christine Volkmann (Eds.), *Artificiality and Sustainability in Entrepreneurship: Exploring the Unforeseen, and Paving the Way to a Sustainable Future* Springer.
6. Adner R, C E Helfat (2003) Corporate Effects and Dynamic Managerial Capabilities. *Strategic Management Journal* 24(10): 1011-1025.
7. Henderson B D (1979) *Henderson on Corporate Strategy*. Cambridge Mass Abt Books.
8. Alberts W W, J M McTaggart (1984) Value based strategic investment planning. *Interfaces, Strategic Management* 14(1): 138-151.

ISSN: 2574-1241

DOI: 10.26717/BJSTR.2024.59.009361

Jianan ZHANG. Biomed J Sci & Tech Res



This work is licensed under Creative Commons Attribution 4.0 License

Submission Link: <https://biomedres.us/submit-manuscript.php>



Assets of Publishing with us

- Global archiving of articles
- Immediate, unrestricted online access
- Rigorous Peer Review Process
- Authors Retain Copyrights
- Unique DOI for all articles

<https://biomedres.us/>